



**CENTRAL
TEXAS**



FARM CREDIT

2025 ANNUAL REPORT



Contents

9

Report of Management

10

Report of Audit Committee

11

**Five-Year Summary of Selected
Consolidated Financial Data**

13

**Management's Discussion &
Analysis of Financial Condition &
Results of Operation**

24

Report of Independent Auditors

26

Consolidated Financial Statements

31

**Notes to Consolidated Financial
Statements**

59

Disclosure Information & Index



Letter from the CEO

I am pleased to report that 2025 was another successful year for your association. We delivered strong earnings, maintained low loan delinquencies, and grew our loan portfolio by 9.4%.

We achieved these results in a year that once again showed just how variable agriculture can be across Central and West Texas. Some areas benefited from improved rainfall, while others remained comparatively dry and continued to work through ongoing soil moisture shortages. Livestock markets remained strong, and the broader regional economy continued to show resilience, supported not only by agriculture but also by energy and related industries.

Based on our performance and anticipated future capital needs, the Board declared an \$8 million cash patronage refund. While the payout is down slightly versus last year, it represents just over 77% of our 2025 net income and reflects our continued commitment to returning meaningful value to our stockholders.

In doing so, we are committed to balancing strong patronage returns with prudent financial stewardship. Maintaining a solid capital base allows us to support your ongoing credit needs, invest in future growth and remain well-positioned during periods of agricultural and economic volatility.

We are honored to stand with you — today and in the years ahead. Thank you for your continued trust and partnership.

Sincerely,



Zach May
Chief Executive Officer





Mission Statement:

*Partner with
agricultural producers and
rural communities
by providing a
reliable source of credit and
financial support.*

Core Values:

*Loyalty, Teamwork,
Integrity and Dependability.*

Board of Directors



Robby Halfmann
Chairman



Philip Hinds
Vice Chairman



Holden Jacoby
Board member



Burl Lowery
Board member



Steven Lehrmann
Board member



Gerald Rodgers
Board member



Frank Volleman
Board member

Senior Officers



Zach May
Chief Executive Officer



Travis McKinney
EVP CLO and COO



Jim Ed Field
Chief Credit Officer



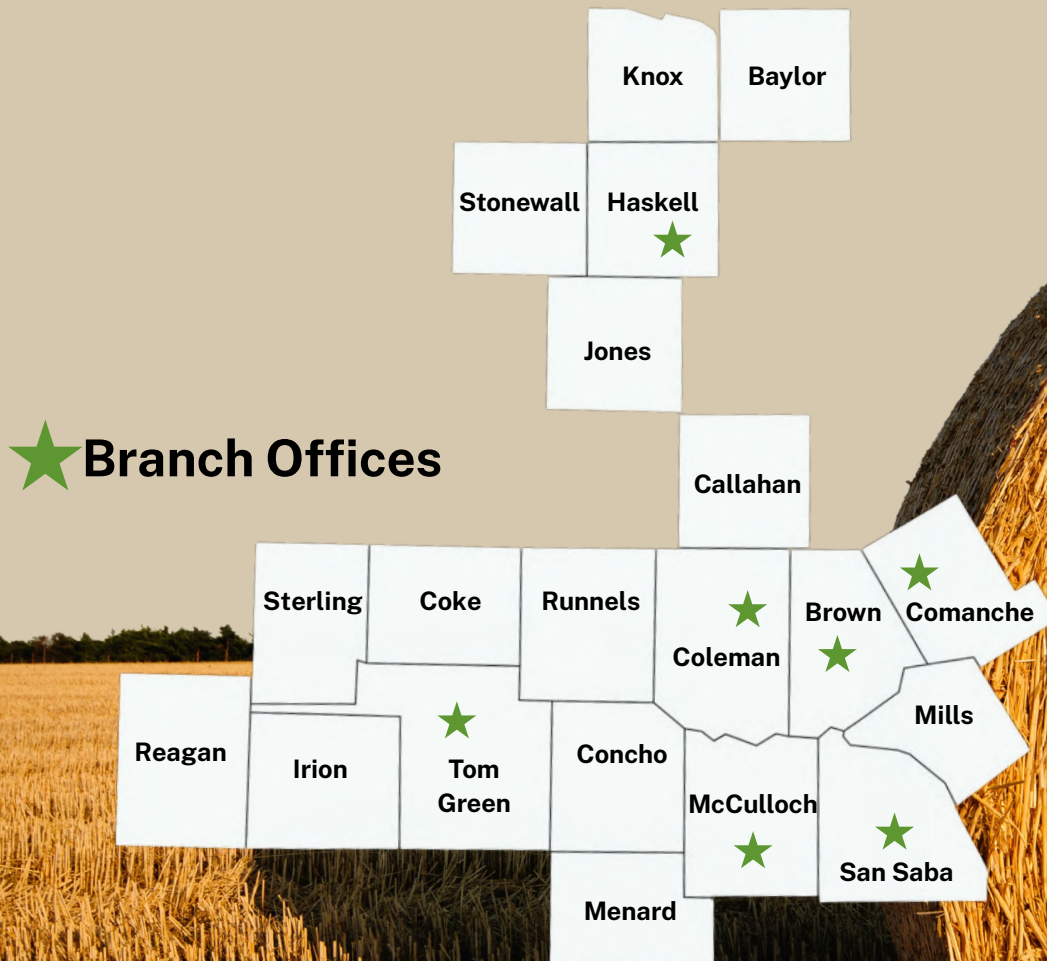
Keith Prater
Chief Financial Officer

Key Performance Trends

	2025	2024	2023
Loans (in millions)	\$764.4	\$695.2	\$693.9
Net Income (in millions)	\$10.3	\$13.3	\$11.2
Shareholder Equity (in millions)	\$133.7	\$131.2	\$127.1
Percent of loans in good standing	97.2%	95.8%	97.3%
% of New Loans to YBS Producers	68%	75%	83%

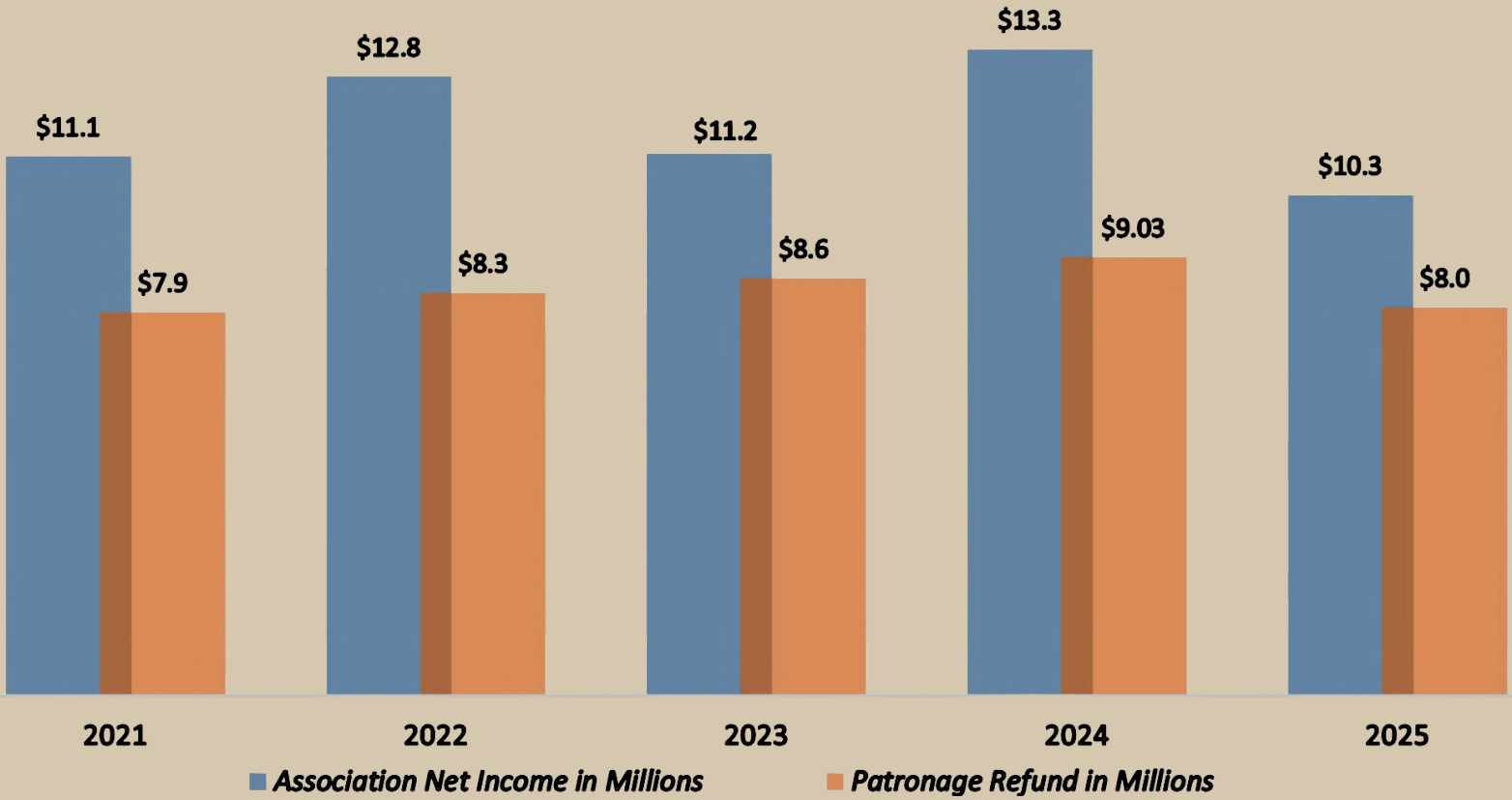
CTFC Territory

Strengthening agriculture with rural financing across 20 Central and West Texas counties.



Patronage

We are proud to return an **\$8.0 million** patronage refund in 2026, thanks to our strong financial performance in 2025.



Committed to Agriculture and the Rural Communities We Serve

Guided by our mission to serve agriculture and rural communities, Central Texas Farm Credit continues to invest in meaningful community partnerships. In 2025, we contributed \$119,310 in support of A&M AgriLife Extension events, veterans' programs, local rodeos, chambers of commerce, hunting festivals and other community-focused initiatives.



Our commitment to rural communities goes beyond today. By supporting agricultural education, youth programs and leadership development, Central Texas Farm Credit helps ensure the next generation is prepared to lead, innovate and continue the traditions of agriculture. These investments strengthen family operations, local economies and the future of rural Texas.



The Next Generation of Ag Leaders

Supporting rural youth is central to Central Texas Farm Credit's mission. This year, we donated more than \$97,890 to organizations and events such as local stock shows, FFA, 4-H chapters, ag mechanics and rural youth programs that help build strong communities and future leaders.



2025 Scholarship Recipients



Elyse Taubert
Miles High



Kaelynn Hoelscher
Winters High



Kalli McCoy
Goldthwaite High



Sierra Killam
Wall High



Quenton Garrett
Coleman High

REPORT OF MANAGEMENT

The consolidated financial statements of Central Texas Farm Credit, ACA (“association”) are prepared by management, who is responsible for the statements’ integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas’ and the association’s accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent auditors. They also consider internal controls to the extent necessary to design audit procedures that comply with auditing standards generally accepted in the United States of America. The association is also examined by the Farm Credit Administration.

The board of directors has overall responsibility for the association’s systems of internal control and financial reporting. The board consults regularly with management and reviews the results of the audits and examinations referred to previously.

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



J. Zachary May, Chief Executive Officer

March 11, 2026



Robby A. Halfmann, Chairman, Board of Directors

March 11, 2026



Keith Prater, Chief Financial Officer

March 11, 2026

REPORT OF AUDIT COMMITTEE

The Audit Committee (committee) comprises Burl D. Lowery, Gerald Rodgers, Robby A. Halfmann, Frank Volleman, Holden Jacoby, Philip W. Hinds and Steven Lehrmann. In 2025, six committee meetings were held. The committee oversees the scope of Central Texas Farm Credit, ACA's system of internal controls and procedures and the adequacy of management's action with respect to recommendations arising from those auditing activities. The committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on Central Texas Farm Credit, ACA's website. The committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2025.

Management is responsible for the Central Texas Farm Credit, ACA's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the Committee. PwC is responsible for performing an independent audit of Central Texas Farm Credit, ACA's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The committee's responsibilities include monitoring and overseeing these processes.

In this context, the committee reviewed and discussed the Central Texas Farm Credit, ACA's audited consolidated financial statements for the year ended December 31, 2025, with management and PwC. The committee also reviews with PwC the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PwC's and the Central Texas Farm Credit, ACA's internal auditors directly provide reports on significant matters to the Committee.

The committee discussed with PwC its independence from Central Texas Farm Credit, ACA. The committee also reviewed the nonaudit services provided by PwC and concluded that these services were not incompatible with maintaining the independent accountant's independence. The committee has discussed with management and PwC such other matters and received such assurances from them as the committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the committee recommended that the board of directors include the audited consolidated financial statements in the Central Texas Farm Credit, ACA's Annual Report to Stockholders for the year ended December 31, 2025.

Audit Committee members

Burl D. Lowery, CPA, Chairman
Gerald Rodgers, CPA, Vice Chairman
Robby A. Halfmann
Frank Volleman
Holden Jacoby
Philip W. Hinds
Steven Lehrmann

March 11, 2026

CENTRAL TEXAS FARM CREDIT, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

(unaudited)
(dollars in thousands)

	2025	2024	2023	2022	2021
<u>Balance Sheet Data</u>					
<u>Assets</u>					
Cash	\$ 3	\$ 1	\$ 5	\$ 1	\$ 3
Loans	764,357	695,185	693,935	640,374	631,826
Less: allowance for credit losses on loans	2,265	1,434	1,777	1,427	1,649
Net loans	<u>762,092</u>	<u>693,751</u>	<u>692,158</u>	<u>638,947</u>	<u>630,177</u>
Investment in and receivable from the Farm Credit Bank of Texas	16,559	14,858	12,644	13,216	10,372
Other property owned, net	63	322	-	-	-
Other assets	16,258	15,767	15,087	13,052	12,085
Total assets	<u>\$ 794,975</u>	<u>\$ 724,699</u>	<u>\$ 719,894</u>	<u>\$ 665,216</u>	<u>\$ 652,637</u>
<u>Liabilities</u>					
Obligations with maturities of one year or less	\$ 12,857	\$ 13,689	\$ 13,174	\$ 12,951	\$ 12,889
Obligations with maturities greater than one year	648,372	579,832	579,575	527,858	520,021
Total liabilities	<u>661,229</u>	<u>593,521</u>	<u>592,749</u>	<u>540,809</u>	<u>532,910</u>
<u>Members' Equity</u>					
Capital stock and participation certificates	2,025	2,003	2,004	2,025	2,118
Unallocated retained earnings	131,516	129,203	124,922	122,115	117,664
Accumulated other comprehensive income (loss)	205	(28)	219	267	(55)
Total members' equity	<u>133,746</u>	<u>131,178</u>	<u>127,145</u>	<u>124,407</u>	<u>119,727</u>
Total liabilities and members' equity	<u>\$ 794,975</u>	<u>\$ 724,699</u>	<u>\$ 719,894</u>	<u>\$ 665,216</u>	<u>\$ 652,637</u>
<u>Statement of Income Data</u>					
Net interest income	\$ 20,957	\$ 21,131	\$ 19,926	\$ 18,294	\$ 16,939
(Provision for credit losses) credit loss reversal	(869)	24	(652)	113	(383)
Income from the Farm Credit Bank of Texas	1,047	1,922	1,928	3,725	3,387
Other noninterest income	394	446	119	225	529
Noninterest expense	(11,216)	(10,213)	(10,160)	(9,606)	(9,366)
Net income	<u>\$ 10,313</u>	<u>\$ 13,310</u>	<u>\$ 11,161</u>	<u>\$ 12,751</u>	<u>\$ 11,106</u>
<u>Key Financial Ratios for the Year</u>					
Return on average assets	1.4%	1.9%	1.6%	1.9%	1.8%
Return on average members' equity	7.6%	10.0%	8.6%	10.2%	9.2%
Net interest income as a percentage of average earning assets	3.0%	3.1%	3.0%	2.8%	2.8%
Net charge-offs (recoveries) as a percentage of average loans	0.0%	0.0%	0.0%	0.0%	0.0%

CENTRAL TEXAS FARM CREDIT, ACA

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Key Financial Ratios at Year End</u>					
Members' equity as a percentage of total assets	16.8%	18.1%	17.7%	18.7%	18.3%
Debt as a percentage of members' equity	494.4%	452.5%	466.2%	434.7%	445.1%
Allowance for credit losses on loans as a percentage of loans	0.3%	0.2%	0.3%	0.2%	0.3%
Common equity tier 1 ratio	15.7%	16.9%	17.0%	17.1%	17.2%
Tier 1 capital ratio	15.7%	16.9%	17.0%	17.1%	17.2%
Total capital ratio	16.1%	17.1%	17.2%	17.3%	17.5%
Permanent capital ratio	15.8%	16.9%	17.0%	17.1%	17.3%
Tier 1 leverage ratio	16.5%	17.5%	17.7%	17.8%	17.9%
UREE leverage ratio	16.2%	17.3%	17.4%	17.5%	19.0%
<u>Net Income Distribution</u>					
Cash dividends	\$ 9,030	\$ 8,600	\$ 8,307	\$ 7,900	\$ 7,200

The association's ratios remained well above the regulatory minimums, including the conservation and leverage buffers as of December 31, 2025. For more information, see Note 10, "Members Equity," in the accompanying consolidated financial statements.

**MANAGEMENT’S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)**

The following commentary explains management’s assessment of the principal aspects of the consolidated financial condition and results of operations of Central Texas Farm Credit, ACA, including its wholly owned subsidiaries, Central Texas, PCA and Central Texas Land Bank, FLCA (collectively called “the association”) for the years ended December 31, 2025, 2024 and 2023, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying consolidated financial statements were prepared under the oversight of the association’s audit committee.

Forward-Looking Information:

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as “anticipates,” “believes,” “could,” “estimates,” “may,” “should,” “will” or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory, financial markets and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural infrastructure, international and farm-related business sectors, as well as in the general economy that can affect the availability of off-farm sources of income;
- weather-related, food safety, disease and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income of borrowers;
- disruption of operations or disclosures of confidential information as a result of cybersecurity incidents;
- changes in United States government support of the agricultural industry and the Farm Credit System (System) as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government and government-sponsored enterprises;
- actions taken by the Federal Reserve System in implementing monetary, government and fiscal policy; and
- credit, interest rate, prepayment and liquidity risk inherent in lending activities.

Significant Events:

2025

In December 2025, the association received a direct loan patronage of \$1,046,611 from the Farm Credit Bank of Texas (“bank”), representing 17.6 basis points on the average daily balance of the association’s direct loan with the bank. Also, the association received a participations patronage of \$40,748 from the bank, representing 75 basis points on the association’s average balance of participations in the bank’s patronage pool program.

In March 2025, a patronage refund of \$9,030,000 was distributed to the association’s borrowers. The patronage refund was declared by the board of directors in December 2024, and the amount was based on the association’s 2024 operating results. In addition, the bank increased its stock investment requirement from 2 percent to 2.5 percent, based on the average daily balance of the association’s direct note, resulting in an additional investment by the Association of \$2,940,625. This additional investment reduced the Association’s capital by the aforementioned amount.

2024

In December 2024, the association received a direct loan patronage of \$1,922,402 from the Farm Credit Bank of Texas, representing 33.2 basis points on the average daily balance of the association’s direct loan with the bank. Also, the association received a participations patronage of \$81,929 from the bank, representing 80 basis points on the association’s average balance of participations in the bank’s patronage pool program.

In March 2024, a patronage refund of \$8,600,000 was distributed to the association's borrowers. The patronage refund was declared by the board of directors in December 2023, and the amount was based on the association's 2023 operating results.

2023

In December 2023, the association received a direct loan patronage of \$1,447,633 from the Farm Credit Bank of Texas, representing 26.3 basis points on the average daily balance of the association's direct loan with the bank. During 2023, the association received an additional patronage payment of \$405,010, based on the association's stock investment in the bank. Also, the association received a participations patronage of \$75,460 from the bank, representing 70 basis points on the association's average balance of participations in the bank's patronage pool program.

In July 2023, Zach May became the chief executive officer of the association.

In March 2023, a patronage refund of \$8,307,074 was distributed to the association's borrowers. The patronage refund was declared by the board of directors in December 2022, and the amount was based on the association's 2022 operating results.

Adoption of New Accounting Standard

Effective January 1, 2023, the Association adopted the current expected credit losses (CECL) accounting guidance that replaced the incurred loss guidance. CECL established a single allowance framework for financial assets carried at amortized cost and certain off-balance-sheet credit exposures. CECL requires management to consider in its estimate of allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that affect the collectibility of the assets. The adoption of this guidance resulted in a cumulative effect transition adjustment as of January 1, 2023, reflecting a decrease in the association's ACL of \$253,393 on outstanding loans and unfunded commitments and a corresponding increase in retained earnings.

Refer to Note 2, "Summary of Significant Accounting Policies" in the accompanying consolidated financial statements for disclosures of additional accounting pronouncements that may impact the association's consolidated financial position and results of operations and for critical accounting policies.

Loan Portfolio

The association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, SOFR-based and prime-based interest rates. Loan maturities range from one to 40 years, with annual operating loans comprising the majority of the commercial loans and 20- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The composition of the association's loan portfolio, including principal less funds held of \$764,357,048, \$695,185,152 and \$693,934,819 as of December 31, 2025, 2024 and 2023, respectively, is described more fully in detailed tables in Note 3, "Loans and Allowance for Credit Losses on Loans," in the accompanying consolidated financial statements.

Geographic Distribution

The following percentages are based on the borrower's physical location, the borrower's headquarters location or the physical location of the underlying collateral where applicable:

County	2025	2024	2023
Tom Green	9.1%	8.6%	8.8%
Comanche	9.0%	12.0%	11.3%
Brown	6.2%	5.9%	5.6%
Runnels	4.4%	3.7%	3.9%
Taylor	3.9%	3.0%	3.1%
Coleman	3.6%	4.6%	4.3%
Deaf Smith	3.1%	3.1%	3.3%
Midland	2.6%	2.0%	1.8%
McCulloch	2.3%	2.4%	2.6%
Knox	2.1%	2.3%	2.6%
Jones	2.0%	1.8%	1.6%
Hood	1.9%	1.4%	1.2%
Dallas	1.8%	2.2%	2.1%
Travis	1.7%	1.9%	1.9%
Harris	1.7%	1.8%	1.1%
Cherokee	1.3%	1.5%	1.6%
Mills	1.3%	1.5%	1.4%
Ector	1.0%	1.2%	1.0%
Haskell	1.0%	0.9%	0.9%
Tarrant	0.9%	0.9%	1.0%
Callahan	0.8%	1.0%	0.7%
Angelina	0.7%	1.0%	1.0%
Other Counties	19.6%	16.7%	17.7%
Other States	18.0%	18.6%	19.5%
	100.0%	100.0%	100.0%

The association's concentration of credit risk in various agricultural commodities is shown in the following table. Though the amounts represent the association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the association's lending activities are collateralized, and the association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the association's credit risk exposure is considered in the determination of the allowance for credit losses.

Operation/Commodity	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
Livestock, except dairy and poultry	\$ 346,659,864	45.5%	\$ 340,626,186	48.8%	\$ 336,670,344	48.5%
Dairy farms	71,058,583	9.3%	64,492,863	9.3%	66,315,059	9.6%
Field crops except cash grains	61,579,915	8.1%	47,193,672	6.8%	49,268,452	7.1%
Hunting, trapping and game propagation	50,178,406	6.6%	31,615,520	4.5%	32,640,141	4.7%
Wholesale trade - nondurable goods	31,613,128	4.1%	26,999,360	3.9%	30,097,350	4.3%
General farms, primarily crops	30,210,925	4.0%	28,444,761	4.1%	27,918,867	4.0%
Food and kindred products	29,842,495	3.9%	30,441,209	4.4%	32,628,343	4.7%
Cash grains	27,113,793	3.5%	21,661,931	3.1%	21,271,240	3.1%
Paper and allied products	15,531,081	2.0%	16,598,795	2.4%	17,394,919	2.5%
Communication	13,353,504	1.7%	11,607,136	1.7%	11,991,688	1.7%
Poultry and eggs	10,898,525	1.4%	10,091,535	1.5%	6,948,162	1.0%
Timber	10,888,160	1.4%	8,738,292	1.3%	9,338,043	1.3%
Agricultural services	9,811,128	1.3%	10,899,022	1.6%	9,633,865	1.4%
Chemical and allied products	7,678,022	1.0%	9,184,537	1.3%	9,522,933	1.4%
Fruit and tree nuts	6,857,010	0.9%	6,950,921	1.0%	8,897,203	1.3%
Farm and garden machinery equipment	6,472,587	0.8%	4,640,020	0.7%	60,760	0.0%
Wholesale trade - durable goods	4,556,358	0.6%	4,755,432	0.7%	4,954,401	0.7%
Other	30,053,564	3.9%	20,243,960	2.9%	18,383,049	2.7%
Total	\$ 764,357,048	100.0%	\$ 695,185,152	100.0%	\$ 693,934,819	100.0%

Territory Conditions

The association continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit. Persistent operating environment dynamics in our lending territory continue to present challenges, driven by factors such as commodity price volatility, elevated input and debt costs, and evolving trade policies, all of which are impacting performance across multiple sectors. Despite these challenges, overall credit quality in the association remains stable.

On February 5, 2026, the United States Department of Agriculture (USDA) released that net farm income (nominal) is forecasted at \$153.4 billion in 2026, down \$1.2 billion or 0.7 percent relative to 2025, but remaining above the 20-year average. Total animal and animal product receipts are projected to decrease year-over-year (YOY) by 5.8 percent to \$273.9 billion in 2026. Lower prices are expected to lead to lower cash receipts. Receipts for eggs and dairy are expected to see the largest declines. Total crop receipts are forecasted to increase YOY by 1.2 percent to \$240.8 billion in 2026. Corn and vegetables/melon receipts are expected to rise in 2026, and soybeans, cotton and wheat cash receipts are expected to decline. Total production expenses are forecasted to increase YOY (nominally) by 1.0 percent to \$477.7 billion in 2026. Livestock/poultry purchases are expected to see the largest increase in 2026. Farm sector assets and equity are forecasted to increase by 3.2 percent and 2.9 percent, respectively. Farm sector debt is expected to increase by 5.2 percent in 2026. Consequently, farm sector debt-to-asset ratio is forecasted to increase to 13.8 percent, and working capital is forecasted to contract YOY by about 9.2 percent.

On December 8, 2025, the USDA announced \$12.0 billion in one-time financial support to farmers in the form of a Farmer Bridge Assistance (FBA) program. The payments are in response to temporary trade market disruptions and increased production costs. Up to \$11.0 billion will be used for the FBA program, which provides broad relief to United States row crop farmers who produce corn, cotton, rice, sorghum, soybeans and wheat, among other crops. On February 20, 2026, USDA announced that the FBA enrollment period opens February 23, 2026 and closes April 17, 2026. Farmers who qualify for the FBA program could receive a payment as early as February 28, 2026. The remaining \$1.0 billion of the \$12.0 billion in bridge payments is reserved for commodities not covered in the FBA program, such as specialty crops and sugar. The payments are authorized under the Commodity Credit Corporation Charter Act and will be administered by the Farm Service Agency. Specialty crop producers have until March 13, 2026, to report 2025 acres to USDA's Farm Service Agency.

After three consecutive 25 basis points cuts in the target federal funds rate, the FOMC voted for holding the target federal funds range constant at the 3.50 percent-3.75 percent range during the January 27-28, 2026 meeting. The FOMC considers that there are risks on both sides of the dual mandate, high and persistent inflation as well as a downside risk to employment. The percentage change in the Consumer Price Index (inflation) for All Urban Consumers decreased YOY from 3.0 percent in December 2024 to 2.7 percent in December 2025 and similarly declined month-over-month (MOM)

to 2.4 percent in January 2026. Inflation is gradually approaching the Federal Reserve’s long-term target of approximately 2.0 percent.

The Bureau of Labor Statistics reported that the U.S. unemployment rate was 4.3 percent in January 2026, up from 4.0 percent YOY but slightly down from 4.4 percent in December 2025. The Texas unemployment rate ticked up YOY from 4.2 to 4.3 percent in December 2025. Overall, the unemployment rates in Texas remain relatively stable and below the national average.

On February 20, 2026, the U.S. Bureau of Economic Analysis (BEA) released its advance estimate of real gross domestic product (GDP) for the fourth quarter of 2025. U.S. real GDP increased at an annual rate of 1.4 percent, down from 4.4 percent in the prior quarter and from a 1.9 percent increase in the year-ago period. The higher U.S. real GDP in the fourth quarter of 2025 reflected increases in consumer spending and investment. The movements were partly offset by decreases in government spending and exports. Imports, which are a subtraction in the calculation of GDP, decreased. Texas quarterly real GDP growth annualized rate grew at 2.6 percent from the fourth quarter of 2024 through the third quarter of 2025.

The quarterly average West Texas Intermediate (WTI) spot price (FOB) decreased QOQ by about 9.4 percent in the fourth quarter 2025, closing the quarter slightly below \$60 per barrel but averaging about \$65 per barrel in 2025. The quarterly average WTI price also decreased YOY in the fourth quarter of 2025 by 15.7 percent. The Energy Information Administration’s (EIA) February 2026 Short Term Energy Outlook estimates that the WTI crude oil spot price will average about \$54 per barrel in 2026 and \$49 per barrel in 2027. These prices are generally below the level needed to profitably drill a new well in the Permian Basin but still generally above the level needed to cover operating expenses. Global oil prices are expected to decline as global oil production exceeds global demand, causing inventories to rise in 2026 and 2027. The U.S. benchmark Henry Hub natural gas spot price averaged \$2.19 per million British thermal units (MMBtu) in 2024 and increased by 61 percent to \$3.53/MMBtu in 2025. After increasing by 81 percent MOM in January 2026, EIA forecasts that the natural gas price will increase by 22 percent YOY in 2026 before increasing by 2 percent in 2027.

The January 2026 edition of S&P Global Agricultural Commodity Price Watch estimated that U.S. average farm prices of cotton slightly increased QOQ in the fourth quarter of 2025 and corn and wheat farm prices declined. Additionally, cotton, corn and wheat farm prices have decreased YOY. Quarterly average cattle, chicken, hog and dairy prices are estimated to have declined QOQ in the fourth quarter 2025. Cattle and hog prices increased YOY and chicken and dairy prices declined. Beef cattle demand remains strong and supply is tight.

The combined Drought Monitor for the association’s territory as of December 9, 2025, indicates that drought area categorized as none to abnormally dry, which were improvements from the prior quarter. The National Weather Service states that La Niña’s impacts are expected to remain through at least April 2026. Above-normal temperatures are favored over California, the Southwest, Southern Plains, Lower Mississippi Valley and the Southeast. Below-normal precipitation is also more likely for these same areas through April 2026.

The association’s loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a high percentage of the association’s borrowers have non-farm sources of income to aid in the repayment of their loans.

Farm Bill

Approximately every five years, Congress considers legislation, commonly referred to as the “Farm Bill,” that sets national agriculture, nutrition, conservation and forestry policy. The last Farm Bill enacted was the Agricultural Improvement Act of 2018 that was extended twice to September 30, 2025. On July 4, 2025, the president signed H.R.1, known as the One Big Beautiful Bill Act (the Act) into law, which enacted many of the provisions typically authorized and funded in a Farm Bill. This Act continues crucial commodities programs and increases spending for many agricultural programs over 10 years. Because the Act was passed using the budget reconciliation process, it could only include

measures that directly affect federal spending or revenue. There is the potential for a separate, smaller Farm Bill being introduced in 2026 to address outstanding issues.

Problem Loans

2025

During 2025, the association recorded no recoveries and \$11,127 in charge-offs.

2024

During 2024, the association recorded no recoveries and \$324,703 in charge-offs.

2023

During 2023, the association recorded \$3,711 in recoveries and \$187,529 in charge-offs.

Purchase and Sales of Loans:

During 2025, 2024 and 2023, the association was participating in loans with other lenders. As of December 31, 2025, 2024 and 2023, the participations purchased totaled \$185,465,203, \$161,041,928 and \$165,951,533, or 24.3 percent, 23.2 percent and 23.9 percent of loans, respectively. The association has also sold participations of \$52,135,716, \$30,755,119 and \$32,402,001 as of December 31, 2025, 2024 and 2023, respectively.

Risk Exposure:

Nonperforming assets include nonaccrual loans, accruing loans that are 90 days or more past due and other property owned, net.

The following table illustrates the association's components and trends of nonperforming assets serviced for the prior three years as of December 31:

	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
Nonaccrual loans	\$ 403,893	84.6%	\$ 226,837	41.3%	\$ 2,106,070	100.0%
Accruing loans 90 days or more past due	-	0.0%	-	0.0%	-	0.0%
Nonperforming loans	403,893	84.6%	226,837	41.3%	2,106,070	100.0%
Other property owned, net	62,738	15.4%	322,003	58.7%	-	0.0%
Nonperforming assets	\$ 466,631	100.0%	\$ 548,840	100.0%	\$ 2,106,070	100.0%

As of December 31, 2025, 2024 and 2023, nonperforming loans were \$403,893, \$226,837 and \$2,106,070, representing 0.1 percent, 0.0 percent and 0.3 percent of loan volume, respectively.

Except for the relationship between installment due date and seasonal cash-flow capabilities of the borrower, the association is not affected by any seasonal characteristics. The factors affecting the operations of the association are the same factors that would affect any agricultural real estate lender.

Allowance for Credit Losses on Loans:

The association employs a disciplined process and methodology to establish its allowance for credit losses on loans that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with the association's appraisal policy, the fair value of collateral-dependent loans is based

upon independent third-party appraisals or on collateral valuations prepared by in-house collateral evaluators. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed or nonrecoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the component of the allowance for credit losses on loans that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type, commodity, credit quality rating, delinquency category, business segment or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

Prior to January 1, 2023, the allowance for credit losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowances for loan losses, which include, but are not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

Based upon ongoing risk assessment and the procedures outlined above, the allowance for credit losses on loans of \$2,265,039, \$1,434,265 and \$1,776,641 as of December 31, 2025, 2024 and 2023, respectively, is considered adequate by management to compensate for losses in the loan portfolio at such dates, based on historical loss history.

Results of Operations:

The association's net income for the year ended December 31, 2025, was \$10,313,169 as compared with \$13,310,403 for the year ended December 31, 2024, reflecting a decrease of \$2,997,234, or 22.5 percent. The association's net income for the year ended December 31, 2023, was \$11,160,916. Net income increased \$2,149,487, or 19.3 percent, in 2024 vs. 2023.

Net interest income for 2025, 2024 and 2023 was \$20,956,540, \$21,130,661 and \$19,925,631, respectively, reflecting a decrease of \$174,121, or 0.8 percent, for 2025 vs. 2024 and an increase of \$1,205,030, or 6.0 percent, for 2024 vs. 2023. Net interest income is the principal source of earnings for the association and is affected by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2025		2024		2023	
	Average Balance	Interest	Average Balance	Interest	Average Balance	Interest
Loans	\$ 707,614,476	\$ 45,600,724	\$ 692,446,466	\$ 45,380,507	\$ 662,581,242	\$ 40,529,175
Interest-bearing liabilities	593,272,528	24,644,184	578,929,192	24,249,846	549,980,205	20,603,544
Impact of capital	\$ 114,341,948		\$ 113,517,274		\$ 112,601,037	
Net interest income		\$ 20,956,540		\$ 21,130,661		\$ 19,925,631

	2025	2024	2023
	Average Yield	Average Yield	Average Yield
Yield on loans	6.44%	6.55%	6.12%
Cost of interest-bearing liabilities	4.15%	4.19%	3.75%
Interest rate spread	2.29%	2.36%	2.37%

	2025 vs. 2024			2024 vs. 2023		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest income - loans	\$ 994,028	\$ (773,811)	\$ 220,217	\$ 1,826,826	\$ 3,024,506	\$ 4,851,332
Interest expense	600,799	(206,461)	394,338	1,084,487	2,561,815	3,646,302
Net interest income	\$ 393,229	\$ (567,350)	\$ (174,121)	\$ 742,339	\$ 462,691	\$ 1,205,030

Interest income for 2025 increased by \$220,217, or 0.5 percent, compared with 2024, primarily due to growth in the association's loan portfolio that was offset by a decrease in yield on loans. Interest expense for 2025 increased by \$394,338, or 1.6 percent, compared with 2024 due to growth in the association's loan portfolio slightly offset by a decrease in cost of funds. The interest rate spread decreased by seven (7) basis points to 2.29 percent in 2025 from 2.36 percent in 2024, primarily due to a decrease in loan yields that outpaced a decrease in the cost of funds. The interest rate spread decreased by one (1) basis points to 2.36 percent in 2024 from 2.37 percent in 2023.

Noninterest income for 2025 decreased by \$927,882, or 39.2 percent, compared with 2024, due primarily to a decrease in patronage income from the bank. Noninterest income for 2024 increased by \$239,616, or 11.3 percent, compared with 2023, due primarily to a nonrecurring payment in other noninterest income of \$200,715.

Provisions for credit losses on loans increased by \$893,197, or 3,737.5 percent, compared with 2024, primarily due to higher risk factors to the association's portfolio along with an increase in loan volume in the later part of the year.

Operating expenses consist primarily of salaries, employee benefits, insurance fund premiums, occupancy, equipment and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. In 2025, operating expenses increased by \$1,002,034, or 9.8 percent, mainly due to increases in employee salaries and benefits.

For the year ended December 31, 2025, the association's return on average assets was 1.4 percent, compared with 1.9 percent and 1.6 percent for the years ended December 31, 2024, and 2023, respectively. For the year ended December 31, 2025, the association's return on average members' equity was 7.6 percent, as compared with 10.0 percent and 8.6 percent for the years ended December 31, 2024, and 2023, respectively.

Because the association depends on the bank for funding, any significant positive or negative factors affecting the operations of the bank may influence the operations of the association.

Liquidity and Funding Sources:

The interest rate risk inherent in the association's loan portfolio is substantially mitigated through the funding relationship with the bank. The bank manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the association is a direct loan from the bank. The outstanding balance of \$646,123,899, \$577,807,184 and \$577,651,441 as of December 31, 2025, 2024 and 2023, respectively, is recorded as a liability on the association's consolidated balance sheets. The note carried a weighted average interest rate of 4.2 percent, 4.1 percent and 4.1 percent as of December 31, 2025, 2024 and 2023, respectively. The indebtedness is collateralized by a pledge of substantially all of the association's assets to the bank and is governed by a general financing agreement. The increase in notes payable to the bank and related accrued interest payable since December 31, 2024, is due to an increase in net loan growth. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were \$113,510,501, \$112,957,867 and \$112,361,303 at December 31, 2025, 2024 and 2023, respectively. The maximum amount the association may borrow from the bank as of December 31, 2025, was \$771,058,390 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2026, unless sooner terminated by the bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the bank 120 days' prior written notice.

The liquidity policy of the association is to manage cash balances, maximize debt reduction and increase accrual loan volume. This policy will continue to be pursued during 2026. As borrower payments are received, they are applied to the association's note payable to the bank.

The association will continue to fund its operations through direct borrowings from the bank, capital surplus from prior years and borrower stock. It is management’s opinion that funds available to the association are sufficient to fund its operations for the coming year.

Capital Resources:

The association’s capital position remains strong, with total members’ equity of \$133,745,876, \$131,177,548 and \$127,144,934 at December 31, 2025, 2024 and 2023, respectively.

The Farm Credit Administration (FCA) sets minimum regulatory capital requirements, including capital conservation buffers, for banks and associations. These requirements are split into minimum requirements for risk-adjusted ratios and non-risk adjusted ratios. The risk adjusted ratios include common equity tier 1, tier 1 capital, total capital and permanent capital risk-based ratios. The non-risk adjusted ratios include a tier 1 leverage ratio and unallocated retained earnings (URE) and URE equivalent (UREE) leverage ratio. The Farm Credit Act has defined permanent capital to include all capital except stock and other equities that may be retired upon the repayment of the holder’s loan or otherwise at the option of the holder or is otherwise not at risk. Risk-adjusted assets have been defined by regulations as the balance sheet assets and off-balance-sheet commitments adjusted by various percentages ranging from 0 percent to 1,250 percent, depending on the level of risk inherent in the various types of assets.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of seven years, allocated equities held for a minimum of seven years or not subject to revolvment, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk weighted-assets.
- Tier 1 capital ratio is common equity tier 1 plus noncumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of five years, allocated equities held for a minimum of five years, subordinated debt and limited-life preferred stock greater than five years to maturity at issuance subject to certain limitations, allowance for credit losses on loans and allowance for credit losses on unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain allocated and purchased investments in other System institutions divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in-capital, allocated surplus not subject to revolvment less certain regulatory required deductions, including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the minimum regulatory requirements, capital distributions and discretionary bonus payments to senior officers are restricted or prohibited without prior FCA approval.

Regulatory ratios remain well above regulatory minimums. The following table reflects the association’s capital ratios as of December 31:

	2025	2024	2023	Total Regulatory Requirements Including Capital Conservation Buffers
Permanent capital ratio	15.79%	16.90%	17.01%	7.00%
Common equity tier 1 ratio	15.74%	16.87%	16.97%	7.00%
Tier 1 capital ratio	15.74%	16.87%	16.97%	8.50%
Total capital ratio	16.05%	17.07%	17.21%	10.50%
Tier 1 leverage ratio	16.47%	17.54%	17.66%	5.00%
UREE leverage ratio	16.20%	17.26%	17.37%	1.50%

Regulatory Matters:

As of December 31, 2025, the association was not operating under written agreements with the Farm Credit Administration.

On December 5, 2025, the FCA published a proposed rule in the Federal Register that would amend FCA regulations by removing “Formally restructured loans,” also known as troubled debt restructurings (TDR), as a loan performance category due to changes in generally accepted accounting principles (GAAP). This rulemaking also solicits comments on related disclosure issues. The proposed rule is subject to a 60-day public comment period ending on February 3, 2026.

On January 8, 2026, the FCA approved a proposed rule that would amend its permanent capital regulations and update other capital-related regulations. This rulemaking would replace references to permanent capital with references to tier 1 and tier 2 capital, simplify the calculation of the permanent capital ratio, eliminate permanent capital reporting requirements from published financial reports, and make other clarifications, corrections, and technical updates to capital-related regulations. Once published in the Federal Register, it will be subject to a 60-day public comment period.

On February 8, 2024, the FCA approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) exposures by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent, to reflect their increased risk characteristics. The rule further ensures comparability between the FCA’s risk-weighting and the federal banking regulators. The final rule excludes certain acquisition, development and construction loans that do not present as much risk and, therefore, do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated for less than \$500,000. The final rule became effective on January 1, 2026.

In 2025, 2024 and 2023, the association paid patronage distributions of \$9,030,000, \$8,600,000 and \$8,300,000, respectively. In December 2025, the board of directors approved an \$8,000,000 patronage distribution to be paid in March 2026. See Note 10, “Members Equity,” in the accompanying consolidated financial statements for further information.

Relationship With the Bank:

The association’s statutory obligation to borrow only from the bank is discussed in Note 9, “Note Payable to the Bank,” in the accompanying consolidated financial statements.

The bank’s ability to access capital of the association is discussed in Note 2, “Summary of Significant Accounting Policies,” in the accompanying consolidated financial statements within the section “Capital Stock Investment in the Bank.”

The bank’s role in mitigating the association’s exposure to interest rate risk is described in the section “Liquidity and Funding Sources” of Management’s Discussion and Analysis and in Note 9, “Note Payable to the Bank,” in the accompanying consolidated financial statements.

The bank provides computer systems to support the critical operations of all district associations. In addition, each association has operating systems and facility-based systems that are not supported by the bank. As disclosed in Note 13, “Related Party transactions,” in the accompanying consolidated financial statements, the bank provides many services that the association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the bank bills district expenses to the district associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Over the past 109 years, regardless of the state of the agricultural economy, your association’s board of directors and management, as well as the board of directors and management of the bank, have been committed to offering their borrowers a reliable source of financing at a competitive price. Your continued support will be critical to the success of this association.



Report of Independent Auditors

To the Board of Directors of Central Texas Farm Credit, ACA

Opinion

We have audited the accompanying consolidated financial statements of Central Texas Farm Credit, ACA and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2025, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in members' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2025, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Association changed the manner in which it accounts for the allowance for credit losses in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2025 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, slightly slanted style.

Austin, Texas
March 11, 2026

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED BALANCE SHEETS

	December 31,		
	2025	2024	2023
<u>Assets</u>			
Cash	\$ 3,375	\$ 1,050	\$ 4,835
Loans	764,357,048	695,185,152	693,934,819
Less: allowance for credit losses on loans	2,265,039	1,434,265	1,776,641
Net loans	762,092,009	693,750,887	692,158,178
Accrued interest receivable	9,957,621	9,596,600	8,774,133
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	15,200,780	11,984,515	11,363,305
Other	1,358,420	2,873,783	1,280,994
Other property owned, net	62,738	322,003	-
Premises and equipment, net	6,013,632	5,947,227	6,031,224
Other assets	286,495	222,666	281,343
Total assets	\$ 794,975,070	\$ 724,698,731	\$ 719,894,012
<u>Liabilities</u>			
Note payable to the Farm Credit Bank of Texas	\$ 646,123,899	\$ 577,807,184	\$ 577,651,441
Advance conditional payments	6,844	15,186	309
Accrued interest payable	2,240,901	2,009,529	1,927,681
Dividends payable	8,000,000	9,030,000	8,600,000
Other liabilities	4,857,550	4,659,284	4,569,647
Total liabilities	661,229,194	593,521,183	592,749,078
<u>Members' Equity</u>			
Capital stock and participation certificates	2,025,165	2,003,475	2,004,125
Unallocated retained earnings	131,515,693	129,202,524	124,922,120
Accumulated other comprehensive income (loss)	205,018	(28,451)	218,689
Total members' equity	133,745,876	131,177,548	127,144,934
Total liabilities and members' equity	\$ 794,975,070	\$ 724,698,731	\$ 719,894,012

*The accompanying notes are an integral part of these consolidated financial statements.
Central Texas Farm Credit, ACA — 2025 Annual Report*

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2025	2024	2023
<u>Interest Income</u>			
Loans	\$ 45,600,724	\$ 45,380,507	\$ 40,529,175
Total interest income	<u>45,600,724</u>	<u>45,380,507</u>	<u>40,529,175</u>
<u>Interest Expense</u>			
Note payable to the Farm Credit Bank of Texas	24,644,184	24,249,846	20,603,544
Net interest income	<u>20,956,540</u>	<u>21,130,661</u>	<u>19,925,631</u>
<u>Provision for Credit Losses (Credit Loss Reversal)</u>			
Net interest income after provision for credit losses (credit loss reversal)	<u>869,299</u>	<u>(23,898)</u>	<u>651,738</u>
<u>Noninterest Income</u>			
Income from the Farm Credit Bank of Texas:			
Patronage income	1,046,611	1,922,226	1,928,103
Loan fees	246,664	207,702	163,004
Financially related services income	7,080	6,291	6,211
Other noninterest income	140,333	232,351	31,636
Total noninterest income	<u>1,440,688</u>	<u>2,368,570</u>	<u>2,128,954</u>
<u>Noninterest Expenses</u>			
Salaries and employee benefits	6,958,748	6,199,469	5,842,327
Directors' expense	244,900	197,166	205,776
Purchased services	520,785	571,148	628,937
Travel	490,182	365,376	305,368
Occupancy and equipment	735,046	662,229	665,154
Communications	104,181	127,144	132,170
Advertising	362,832	363,678	325,787
Public and member relations	347,219	316,403	313,731
Supervisory and exam expense	284,025	288,496	268,061
Insurance Fund premiums	700,540	672,027	1,055,128
Loss on sale of premises and equipment, net	774	5,737	81,867
Other components of net periodic postretirement benefit cost	<u>130,432</u>	<u>107,909</u>	<u>74,964</u>
Other noninterest expense	335,096	335,944	342,661
Total noninterest expenses	<u>11,214,760</u>	<u>10,212,726</u>	<u>10,241,931</u>
NET INCOME	<u>10,313,169</u>	<u>13,310,403</u>	<u>11,160,916</u>
Other comprehensive income (loss):			
Change in postretirement benefit plans	233,469	(247,140)	(47,803)
COMPREHENSIVE INCOME	<u>\$ 10,546,638</u>	<u>\$ 13,063,263</u>	<u>\$ 11,113,113</u>

*The accompanying notes are an integral part of these consolidated financial statements.
Central Texas Farm Credit, ACA — 2025 Annual Report*

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2022	\$ 2,025,230	\$ 122,114,885	\$ 266,492	\$ 124,406,607
Cumulative effect of a change in accounting principle	-	253,393	-	253,393
Balance at January 1, 2023	2,025,230	122,368,278	266,492	124,660,000
Comprehensive income	-	11,160,916	(47,803)	11,113,113
Capital stock/participation certificates issued	222,055	-	-	222,055
Capital stock/participation certificates retired	(243,160)	-	-	(243,160)
Patronage dividends:				
Cash	-	(8,607,074)	-	(8,607,074)
Balance at December 31, 2023	2,004,125	124,922,120	218,689	127,144,934
Comprehensive income	-	13,310,403	(247,140)	13,063,263
Capital stock/participation certificates issued	214,485	-	-	214,485
Capital stock/participation certificates retired	(215,135)	-	-	(215,135)
Patronage dividends:				
Cash	-	(9,029,999)	-	(9,029,999)
Balance at December 31, 2024	2,003,475	129,202,524	(28,451)	131,177,548
Comprehensive income	-	10,313,169	233,469	10,546,638
Capital stock/participation certificates issued	301,730	-	-	301,730
Capital stock/participation certificates retired	(280,040)	-	-	(280,040)
Patronage dividends:				
Cash	-	(8,000,000)	-	(8,000,000)
Balance at December 31, 2025	\$ 2,025,165	\$ 131,515,693	\$ 205,018	\$ 133,745,876

*The accompanying notes are an integral part of these consolidated financial statements.
Central Texas Farm Credit, ACA — 2025 Annual Report*

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2025	2024	2023
Cash flows from operating activities:			
Net income	\$ 10,313,169	\$ 13,310,403	\$ 11,160,916
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses (credit loss reversal)	869,299	(23,898)	651,738
Depreciation, amortization, and accretion	915,154	707,837	586,785
Allocated equities patronage from the Farm Credit Bank of Texas	-	-	(434,065)
Loss (gain) on sale of premises and equipment, net	774	5,737	(112,620)
(Gain) loss on sale of loans, net	(25,558)	(2,176)	194,487
Increase in accrued interest receivable	(361,021)	(822,467)	(1,530,431)
Decrease (increase) in other receivables from the Farm Credit Bank of Texas	1,515,363	(1,592,789)	1,291,038
(Increase) decrease in other assets	(63,829)	58,677	47,328
Increase in accrued interest payable	231,372	81,848	478,630
Increase (decrease) in other liabilities	459,133	(163,727)	6,217
Net cash provided by operating activities	<u>\$ 13,853,856</u>	<u>\$ 11,559,445</u>	<u>\$ 12,340,023</u>
Cash flows from investing activities:			
Increase in loans, net	\$ (69,714,713)	\$ (1,928,569)	\$ (54,244,809)
Cash recoveries of loans previously charged off	-	(324,703)	3,711
Proceeds from purchase of investment in the Farm Credit Bank of Texas	(3,216,265)	(621,210)	(719,045)
Proceeds from other investment in the Farm Credit Bank of Texas	-	-	434,065
Purchases of premises and equipment	(479,881)	(259,957)	(1,021,636)
Proceeds from sales of other property owned	259,265	-	-
Proceeds from sales of premises and equipment	-	1,238	297,089
Net cash used in investing activities	<u>\$ (73,151,594)</u>	<u>\$ (3,133,201)</u>	<u>\$ (55,250,625)</u>

*The accompanying notes are an integral part of these consolidated financial statements.
Central Texas Farm Credit, ACA — 2025 Annual Report*

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2025	2024	2023
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	\$ 68,316,715	\$ 155,743	\$ 51,242,247
(Decrease) increase in advance conditional payments	(8,342)	14,877	309
Issuance of capital stock and participation certificates	301,730	214,485	222,055
Retirement of capital stock and participation certificates	(280,040)	(215,135)	(243,160)
Cash dividends paid	(9,030,000)	(8,599,999)	(8,307,074)
Net cash provided by (used in) financing activities	\$ 59,300,063	\$ (8,430,029)	\$ 42,914,377
Net increase (decrease) in cash	2,325	(3,785)	3,775
Cash at the beginning of the year	1,050	4,835	1,060
Cash at the end of the year	\$ 3,375	\$ 1,050	\$ 4,835
 Supplemental schedule of noncash investing and financing activities:			
Loans charged off	\$ 11,127	\$ 324,703	\$ 187,529
Dividends declared	8,000,000	9,030,000	8,600,000
Transfer of allowance for credit losses on loans from (into) reserve for credit losses on unfunded commitments	27,398	(6,224)	20,022
 Supplemental cash flow information:			
Cash paid during the year for:			
Interest	\$ 24,412,812	\$ 24,167,998	\$ 20,124,914

*The accompanying notes are an integral part of these consolidated financial statements.
Central Texas Farm Credit, ACA — 2025 Annual Report*

CENTRAL TEXAS FARM CREDIT, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

- A. Organization: Central Texas Farm Credit, ACA, including its wholly owned subsidiaries, Central Texas, PCA and Central Texas Land Bank, FLCA (collectively called “the association”), is a member-owned cooperative that provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Baylor, Brown, Callahan, Coke, Coleman, Comanche, Concho, Haskell, Irion, Jones, Knox, McCulloch, Menard, Mills, Reagan, Runnels, San Saba, Sterling, Stonewall and Tom Green in the state of Texas.

The association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). As of December 31, 2025, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the “district.” The Bank provides funding to all associations within the district and is responsible for supervising certain activities of the district associations. As of December 31, 2025, the district comprised the Bank, one FLCA and 11 ACA parent companies, which have two wholly owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of System associations to ensure their compliance with the Farm Credit Act, FCA regulations and safe and sound banking practices.

The Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations; (2) to ensure the retirement of protected borrower capital at par or stated value; and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses, by FCSIC, of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the “secure base amount,” which is defined in the Farm Credit Act as 2.0% of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as FCSIC in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, FCSIC is required to reduce premiums, as necessary to maintain the Insurance Fund at the 2.0% level. As required by the Farm Credit Act, as amended, FCSIC may return excess funds above the secure base amount to System banks, which may be passed on to the associations.

FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

- B. Operations: The Farm Credit Act sets forth the types of authorized lending activity, people eligible to borrow and financial services that can be offered by the association. The association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The association makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the bank.

The association also serves as an intermediary in offering credit life insurance.

The association's financial condition may be affected by factors that affect the bank. The financial condition and results of operations of the bank may materially affect stockholders' investments in the association. The bank's Annual Report to Stockholders discusses the material aspects of the district's financial condition, changes in financial condition and results of operations. In addition, the bank's Annual Report to Stockholders identified favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Fund. Upon request, stockholders of the association will be provided with the bank's Annual Report to Stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Consolidation

The consolidated financial statements (the "financial statements") of the association have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In consolidation, all significant intercompany accounts and transactions are eliminated, and all material wholly owned, and majority-owned subsidiaries are consolidated unless GAAP requires otherwise.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the valuation of deferred tax assets, the determination of fair value of financial instruments and subsequent impairment analysis.

The accounting and reporting policies of the association conform to generally accepted accounting principles in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these notes, as applicable. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses on loans and the determination of fair value of financial instruments. The consolidated financial statements include the accounts of Central Texas, PCA and Central Texas Land Bank, FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

In December 2025, Financial Accounting Standards Board (FASB) issued an update titled, "Narrow-Scope Improvements." The update provides narrow-scope improvements to interim reporting guidance to enhance clarity, navigability and completeness of interim financial statements and disclosures, without fundamentally changing reporting requirements. Key changes include clarifying who is subject to interim reporting requirements, adding comprehensive lists of required disclosures from other codification topics and establishing a principle to disclose events since the end of the last annual reporting period that have a material impact on the entity. The update is effective for public business entities for interim reporting periods within annual reporting periods beginning after December 15, 2027, and for other entities after December 15, 2028, with early adoption permitted. The association is currently assessing the potential impact of this amendment on its financial condition, results of operations and cash flows.

In November 2025, the FASB issued an update titled, "Financial Instruments - Credit Losses - Purchased Loans." The amendment simplifies accounting for purchased loans by expanding the "gross-up" method to "purchased seasoned loans" (PSLs). This eliminates the Day 1 credit loss expense for most acquired loans, improves comparability and reduces earnings volatility by creating a more consistent accounting approach similar to that used for previously purchased credit-deteriorated (PCD) loans. The standard is effective for annual periods beginning after December 15, 2026, including interim periods within those years. Early adoption is permitted. The association is

currently assessing the potential impact of this amendment on its financial condition, results of operations and cash flows.

In September 2025, the FASB issued an update titled “Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software.” The amendment introduces 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. The standard is effective for annual periods starting after December 15, 2027, with early adoption permitted as of the beginning of any annual reporting period. The association is currently assessing the potential impact of this amendment on its financial condition, results of operations and cash flows.

In July 2025, the FASB issued an update titled “Financial Instruments - Credit Losses - Measurement of Credit Losses for Accounts Receivable and Contract Assets.” This update provides (1) all entities with a practical expedient and (2) entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivables and current contract assets arising from transactions accounted for under Topic 606. The practical expedient would allow all entities when developing reasonable and supportable forecasts as part of estimating expected credit losses to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The accounting policy election allows an entity to consider collection activity after the balance sheet date when estimating expected credit losses. The amendments will be effective for annual reporting periods beginning after December 15, 2025, and interim periods within those annual reporting periods under a prospective approach. Early adoption is permitted for interim or annual periods in which financial statements have not yet been issued. The association is currently assessing the potential impact of this amendment on its financial condition, results of operations and cash flows.

In December 2023, the FASB issued an update titled “Income Taxes: Improvements to Income Tax Disclosures.” The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this update require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the association’s financial condition, results of operations or cash flows but will impact the income tax disclosures.

Also adopted effective January 1, 2023, was the updated guidance titled “Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosure.” This guidance requires the creditor to determine whether a modification results in a new loan or a continuation of an existing loan, among other disclosures specific to modifications with borrowers that are experiencing financial difficulties. The update eliminated the accounting guidance for troubled debt restructurings by creditors. The update also requires disclosure of current period gross write-offs by year of origination for financing receivables and net investments in leases.

The following table presents the impact to the allowance for credit losses and retained earnings upon adoption of this guidance on January 1, 2023:

	December 31, 2022	CECL adoption impact	January 1, 2023
Assets:			
Allowance for credit losses on loans	\$ 1,426,947	\$ (138,248)	\$ 1,288,699
Liabilities:			
Allowance for credit losses on unfunded commitments	\$ 225,323	\$ (115,145)	\$ 110,178
Retained earnings:			
Unallocated retained earnings, net of tax	\$ 122,114,885	\$ 253,393	\$ 122,368,278

- B. Cash: Cash, as included in the financial statements, represents cash on hand and deposits at banks.
- C. Loans and Allowance for Credit Losses on Loans: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural

production or operating purposes have maturities of 10 or fewer years. Loans are carried at their principal amount outstanding adjusted for charge-offs and net deferred loan fees or costs. Loan origination fees and direct loan origination costs are capitalized, and the net fee or cost is amortized over the life of the related loan as an adjustment to yield. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding.

Nonaccrual Loans

A loan is considered a nonaccrual loan if there is a known risk to the collection of principal and interest according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

Consistent with prior practice, loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection), circumstances indicate that collection of principal and interest is in doubt or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. At the time a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for credit losses on loans (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, interest payments received in cash are recognized as interest income if collectibility of the loan is fully expected and certain other criteria are met. Otherwise, payments received are applied against the amortized cost in the loan. Nonaccrual loans are returned to accrual status if all contractual principal and interest are current, the borrower has demonstrated payment performance, and collection is fully expected to fulfill the contractual repayments terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable

The association elected to continue classifying accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the Consolidated Balance Sheets. The association has also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay or a term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Collateral Dependent Loans

Collateral dependent loans are loans secured by collateral including, but not limited to, agricultural real estate, crop inventory, equipment and livestock. The association is required to measure the current credit losses (CECL) of a collateral dependent loan based on fair value of the collateral the reporting date when the association determines that foreclosure is probable. Additionally, CECL allows a fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit losses is based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

Allowance for Credit Losses

Effective January 1, 2023, the ACL represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancelable. The ACL comprises:

- the allowance for credit losses on loans (ACLL), which covers the loan portfolio and is presented separately on the Consolidated Balance Sheets, and
- the allowance for credit losses on unfunded commitments, which is presented on the Consolidated Balance Sheets in other liabilities.

Allowance for Credit Losses on Loans

Determining the appropriateness of the ACLL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio considering macroeconomic conditions, forecasts and other factors prevailing at the time may result in significant changes in the ACL in those future periods. The ACLL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, discounts and fair value hedge accounting adjustments. The expected life of a loan is determined based on the contractual term of the loan, anticipated prepayment rates, cancellation features and certain extension and call options. The ACLL is estimated using a probability of default (PD) and loss given default (LGD) model wherein impairment is calculated by multiplying the PD (probability the loan will default in a given time frame) by the LGD (percentage of the loan expected to be collected at default.)

The association employs a disciplined process and methodology to establish its ACLL that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed or nonrecoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the components of the ACLL that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type and credit quality rating or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

The ACLL also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to:

- lending policies and procedures;
- national, regional and local economic business conditions and developments that affect the collectibility of the portfolio, including the condition of various markets;

- the nature of the loan portfolio, including the terms of the loans;
- the experience, ability and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of credit losses in the existing portfolio.

The association's macroeconomic forecast includes a weighted selection of the baseline, upside 10th percentile and downside 90th percentile from third-party economic scenarios over a reasonable and supportable forecast period of two years. Subsequent to the forecast period, the association reverts to long-run historical loss experience over a one-year reversion period to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts, which are updated quarterly, incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads. The association also considers loan and borrower characteristics, such as internal risk ratings, industry and the remaining term of the loan, adjusted for expected prepayments.

In addition to the quantitative calculation, the association considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral. The economic forecasts are updated on a quarterly basis.

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan losses encompassed various judgments, evaluations and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowances for loan losses, which include, but are not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

Allowance for Credit Losses on Unfunded Commitments

The association evaluates the need for an allowance for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in other liabilities on the Consolidated Balance Sheets. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancelable by the institution and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancelable.

Also adopted, effective January 1, 2023, was guidance requiring a creditor to determine whether a modification results in a new loan or a continuation of an existing loan, among other disclosures specific to modifications with borrowers that are experiencing financial difficulties. The guidance eliminated the accounting guidance for troubled debt restructurings by creditors. The guidance also requires disclosure of current period gross charge-offs by year of origination for financing receivables and net investments in leases on a prospective basis.

- D. Capital Stock Investment in the Farm Credit Bank of Texas: The association's investment in the bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the association's proportional utilization of the bank compared to other district associations. For 2025, the investment

required of the association was 2.50 percent of association's average borrowings from the bank. For 2024 and 2023, the investment required of the association was 2 percent of the Association's average borrowings from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheets.

If needed to meet regulatory capital adequacy requirements, the board of directors of the bank may increase the percentage of stock held by an association from 2.50 percent of the average outstanding balance of borrowings from the bank to a maximum of 5 percent of the average outstanding balance of borrowings from the bank.

- E. **Other Property Owned, Net:** Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at fair value less estimated selling costs upon acquisition and is included in other assets in the consolidated balance sheet. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for credit losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the statements of comprehensive income.
- F. **Premises and Equipment:** Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.
- G. **Advance Conditional Payments:** The association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying consolidated balance sheets. Advance conditional payments are not insured. Interest is generally paid by the association on such accounts at rates established by the board of directors.
- H. **Employee Benefit Plans:** Substantially all employees of the association may be eligible to participate in either the district defined benefit retirement plan (DB plan) or the defined contribution plan (DC plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. The DB plan is closed to new participants. Participants generally include employees hired before January 1, 1996. The DB plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB plan.

Participants in the DC plan generally include employees who elected to transfer from the DB plan before January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC plan direct the placement of their employers' contributions, 5.0% of eligible pay for the year ended December 31, 2025, made on their behalf into various investment alternatives.

The structure of the district's DB plan is characterized as multiemployer, because neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The association recognized pension costs for the DC plan of \$314,728, \$277,637 and \$255,629 for the years ended December 31, 2025, 2024 and 2023 respectively. For the DB plan, the association recognized pension costs of \$92,056, \$77,724 and \$501,824 for the years ended December 31, 2025, 2024 and 2023, respectively.

The association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the associations to match 100% of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings. Association 401(k) plan costs are expensed as incurred. The association's contributions to the 401(k) plan were \$240,002, \$212,992 and \$209,786 for the years ended December 31, 2025, 2024 and 2023, respectively.

In addition to pension benefits, the association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multiemployer and, consequently, the liability for these benefits is included in other liabilities on the consolidated balance sheets.

- I. **Income Taxes:** The ACA holding company conducts its business activities through two wholly owned subsidiaries. Long-term mortgage lending activities are operated through the wholly owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. Deferred taxes are provided on the association's taxable income on the basis of a proportionate share of the tax effect of temporary differences not allocated in patronage form. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the association's expected patronage program, which reduces taxable earnings.
- J. **Patronage Refunds From the Farm Credit Bank of Texas:** The association records patronage refunds from the bank on an accrual basis.
- K. **Fair Value Measurement:** The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and the supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 14, “Fair Value Measurements.”

- L. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management’s assessment of the customer’s creditworthiness.

NOTE 3 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

A summary of loans as of December 31 follows:

Loan Type	2025		2024		2023	
	Amount	%	Amount	%	Amount	%
Real estate mortgage	\$ 509,112,054	66.6%	\$ 473,002,372	68.1%	\$ 475,677,600	68.6%
Production and intermediate-term	129,837,159	17.0%	112,695,765	16.2%	104,042,629	15.0%
Agribusiness:						
Processing and marketing	68,680,401	9.0%	55,326,933	8.0%	54,881,444	7.9%
Farm-related business	21,079,188	2.8%	16,950,966	2.4%	22,086,234	3.2%
Loans to cooperatives	3,009,832	0.4%	3,425,683	0.5%	5,127,668	0.7%
Communication	14,843,760	1.9%	12,872,211	1.9%	13,511,137	1.9%
International	7,232,432	0.9%	5,074,272	0.7%	4,631,066	0.7%
Energy	6,846,927	0.9%	7,232,117	1.0%	6,221,452	0.9%
Water and waste-water	2,299,233	0.3%	7,056,295	1.0%	7,123,999	1.0%
Rural residential real estate	1,416,062	0.2%	1,548,538	0.2%	631,590	0.1%
Total	\$ 764,357,048	100.0%	\$ 695,185,152	100.0%	\$ 693,934,819	100.0%

The association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. No participations were purchased or sold with non-Farm Credit institutions as of December 31, 2025. The following table presents information regarding participations purchased and sold as of December 31, 2025:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
	Agribusiness	\$ 64,028,127	\$ 7,932,278	\$ -	\$ -	\$ 64,028,127
Real estate mortgage	59,807,038	22,336,538	-	-	59,807,038	22,336,538
Production and intermediate-term	30,407,686	21,866,900	-	-	30,407,686	21,866,900
Communication	14,843,760	-	-	-	14,843,760	-
International	7,232,432	-	-	-	7,232,432	-
Energy	6,846,927	-	-	-	6,846,927	-
Water and waste-water	2,299,233	-	-	-	2,299,233	-
Total	\$ 185,465,203	\$ 52,135,716	\$ -	\$ -	\$ 185,465,203	\$ 52,135,716

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in the association’s outstanding loans, letters of credit and unfunded loan commitments. The association manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by the board of directors, which provides direction to the loan officers. The retail credit risk management process begins with an analysis of the borrower’s credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower’s ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, each association that makes loans on a secured basis must have

collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The association uses a two-dimensional loan risk rating model based on internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default rating is management's assumption of the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's assumption of the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The association reviews, at least on an annual basis or when a credit action is taken, the probability of default category.

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

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

The following table shows loans classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans by loan type as of December 31, 2025, 2024 and 2023:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Real estate mortgage			
Acceptable	98.9 %	96.8 %	97.7 %
OAEM	0.9	1.5	1.9
Substandard/doubtful	0.2	1.7	0.4
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Production and intermediate term			
Acceptable	96.3	90.5	95.1
OAEM	3.6	5.8	1.9
Substandard/doubtful	0.1	3.7	3.0
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Agribusiness			
Acceptable	88.1	96.2	97.1
OAEM	-	2.7	2.9
Substandard/doubtful	11.9	1.1	-
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Communication			
Acceptable	100.0	100.0	100.0
OAEM	-	-	-
Substandard/doubtful	-	-	-
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
International			
Acceptable	100.0	100.0	100.0
OAEM	-	-	-
Substandard/doubtful	-	-	-
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Energy			
Acceptable	100.0	100.0	95.2
OAEM	-	-	-
Substandard/doubtful	-	-	4.8
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Water and waste-water			
Acceptable	100.0	100.0	100.0
OAEM	-	-	-
Substandard/doubtful	-	-	-
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Rural residential real estate			
Acceptable	100.0	100.0	100.0
OAEM	-	-	-
Substandard/doubtful	-	-	-
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Total Loans			
Acceptable	97.2	95.8	97.3
OAEM	1.2	2.3	1.9
Substandard/doubtful	1.6	1.9	0.8
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Accrued interest receivable on loans of \$9,957,621, \$9,596,600 and \$8,774,133 as of December 31, 2025, 2024 and 2023, respectively, has been excluded from the amortized cost of loans and is reported separately in the consolidated balance sheets. During 2025, 2024 and 2023, the bank reversed \$11,890, \$6,465 and \$4,780, respectively, in accrued interest receivable against interest income.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85% (or 97% if guaranteed by a

government agency) of the property’s appraised value. However, a decline in a property’s market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the association in the collateral, may result in the loan-to-value ratios in excess of the regulatory maximum.

To mitigate the risk of credit losses, the association has obtained loan guarantees in the form of standby commitments to purchase qualifying loans from Farmer Mac through an arrangement with the bank. The agreements, which will remain in place until the loans are paid in full, give the association the right to sell the loans identified in the agreements to Farmer Mac in the event of defaults (typically four months past due), subject to certain conditions. As for December 31, 2025, 2024 and 2023, loans totaling \$18,606,684, \$20,430,174 and \$22,054,019, respectively, were guaranteed by these commitments. Fees paid for these guarantees totaled \$102,621, \$111,184 and \$119,527 in 2025, 2024 and 2023, respectively, and are included in “other noninterest expense.”

The following table reflects nonperforming assets, which consists of nonaccrual loans, accruing loans 90 days or more past due and other property owned:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Nonaccrual loans:			
Real estate mortgage	\$ 260,177	\$ 152,222	\$ 174,089
Production and intermediate-term	143,716	74,615	1,636,229
Energy	-	-	295,752
Total nonaccrual loans	<u>403,893</u>	<u>226,837</u>	<u>2,106,070</u>
Accruing loans 90 days or more past due	-	-	-
Other property owned	<u>62,738</u>	<u>322,003</u>	-
Total nonperforming assets	<u>\$ 466,631</u>	<u>\$ 548,840</u>	<u>\$ 2,106,070</u>
Nonaccrual loans as a percentage of total loans	0.05%	0.03%	0.30%
Nonperforming assets as a percentage of total loans and other property owned	0.06%	0.08%	0.30%
Nonperforming assets as a percentage of capital	0.35%	0.42%	1.66%

The following table provides the amortized cost for nonaccrual loans with and without a related allowance for credit losses, as well as interest income recognized on nonaccrual during the periods ending December 31, 2025, December 31, 2024, and December 31, 2023:

	<u>December 31, 2025</u>			<u>Interest Income Recognized For the Year Ended December 31, 2025</u>
	<u>Amortized Cost with Allowance</u>	<u>Amortized Cost without Allowance</u>	<u>Total</u>	
Nonaccrual loans:				
Real estate mortgage	\$ -	\$ 260,177	\$ 260,177	\$ 10,351
Production and intermediate-term	106,096	37,620	143,716	1,539
Energy	-	-	-	-
Total nonaccrual loans	<u>\$ 106,096</u>	<u>\$ 297,797</u>	<u>\$ 403,893</u>	<u>\$ 11,890</u>
	<u>December 31, 2024</u>			<u>Interest Income Recognized For the Year Ended December 31, 2024</u>
	<u>Amortized Cost with Allowance</u>	<u>Amortized Cost without Allowance</u>	<u>Total</u>	
Nonaccrual loans:				
Real estate mortgage	\$ 74,615	\$ 152,222	\$ 226,837	\$ 6,465
Production and intermediate-term	-	-	-	-
Energy	-	-	-	-
Total nonaccrual loans	<u>\$ 74,615</u>	<u>\$ 152,222</u>	<u>\$ 226,837</u>	<u>\$ 6,465</u>

	December 31, 2023			Interest Income Recognized For the Year Ended December 31, 2023
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	\$ -	\$ 174,089	\$ 174,089	\$ 3,583
Production and intermediate-term	1,636,229	-	1,636,229	35,996
Energy	295,752	-	295,752	-
Total nonaccrual loans	\$ 1,931,981	\$ 174,089	\$ 2,106,070	\$ 39,579

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment:

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 Loans	Amortized Cost >90 Days and Accruing
Real estate mortgage	\$ 299,661	\$ 260,177	\$ 559,838	\$ 508,552,216	\$ 509,112,054	\$ -
Production and intermediate-term	-	143,716	143,716	129,693,443	129,837,159	-
Processing and marketing	-	-	-	68,680,401	68,680,401	-
Farm-related business	-	-	-	21,079,188	21,079,188	-
Loans to cooperatives	-	-	-	3,009,832	3,009,832	-
Communication	-	-	-	14,843,760	14,843,760	-
International	-	-	-	7,232,432	7,232,432	-
Energy	-	-	-	6,846,927	6,846,927	-
Water and waste-water	-	-	-	2,299,233	2,299,233	-
Rural residential real estate	472,366	-	472,366	943,696	1,416,062	-
Total	\$ 772,027	\$ 403,893	\$ 1,175,920	\$ 763,181,128	\$ 764,357,048	\$ -

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 Loans	Amortized Cost >90 Days and Accruing
Real estate mortgage	\$ 660,882	\$ -	\$ 660,882	\$ 472,341,490	\$ 473,002,372	\$ -
Production and intermediate-term	44,526	74,615	119,141	112,576,624	112,695,765	-
Processing and marketing	-	-	-	55,326,933	55,326,933	-
Farm-related business	-	-	-	16,950,966	16,950,966	-
Loans to cooperatives	-	-	-	3,425,683	3,425,683	-
Communication	-	-	-	12,872,211	12,872,211	-
International	-	-	-	5,074,272	5,074,272	-
Energy	-	-	-	7,232,117	7,232,117	-
Water and waste-water	-	-	-	7,056,295	7,056,295	-
Rural residential real estate	-	-	-	1,548,538	1,548,538	-
Total	\$ 705,408	\$ 74,615	\$ 780,023	\$ 694,405,129	\$ 695,185,152	\$ -

December 31, 2023:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Amortized Cost >90 Days and Accruing
Real estate mortgage	\$ 1,339,997	\$ -	\$ 1,339,997	\$ 474,337,603	\$ 475,677,600	\$ -
Production and intermediate-term	1,418,535	222,632	1,641,167	102,401,462	104,042,629	-
Processing and marketing	-	-	-	54,881,444	54,881,444	-
Farm-related business	-	-	-	22,086,234	22,086,234	-
Loans to cooperatives	-	-	-	5,127,668	5,127,668	-
Communication	-	-	-	13,511,137	13,511,137	-
International	-	-	-	4,631,066	4,631,066	-
Energy	-	-	-	6,221,452	6,221,452	-
Water and waste-water	-	-	-	7,123,999	7,123,999	-
Rural residential real estate	-	-	-	631,590	631,590	-
Total	\$ 2,758,532	\$ 222,632	\$ 2,981,164	\$ 690,953,655	\$ 693,934,819	\$ -

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

Loan Modifications to Borrowers Experiencing Financial Difficulties

As of December 31, 2025 and December 31, 2023, the Association had no modified loans to borrowers experiencing financial difficulties. As of December 31, 2024, the Association had one real estate mortgage loan with an amortized cost of \$969,362 (0.2% of total real estate mortgage loans and 0.14% of total loans, at amortized cost), which was granted a payment extension.

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during the years ended December 31, 2025, 2024 and 2023 was \$0, \$24,219 and \$0, respectively.

The following tables describes the financial effect of the modifications made to borrowers experiencing financial difficulty during 2025, 2024 and 2023:

	Payment Extension Financial Effect		
	December 31, 2025	December 31, 2024	December 31, 2023
Real estate mortgage	\$ -	Added 12 months for the payment extension	\$ -

There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2025, December 31, 2024 or December 31, 2023.

Allowance for Credit Losses

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

A summary of changes in the allowance for credit losses by portfolio segment for the years ended December 31, 2025; December 31, 2024; and December 31, 2023 are as follows:

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communi- cations	International	Energy	Water and Waste-water	Rural Residential Real Estate	Total
Allowance for Credit Losses on Loans:									
Balance at December 31, 2024	\$ 829,456	\$ 310,342	\$ 264,332	\$ 19,038	\$ 1,999	\$ 3,544	\$ 4,778	\$ 776	\$ 1,434,265
Charge-offs	(9,300)	(1,827)	-	-	-	-	-	-	(11,127)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (credit loss reversal)	(189,110)	(40,933)	1,064,566	10,416	592	(965)	(3,458)	793	841,901
Other	-	-	-	-	-	-	-	-	-
Balance at December 31, 2025	\$ 631,046	\$ 267,582	\$ 1,328,898	\$ 29,454	\$ 2,591	\$ 2,579	\$ 1,320	\$ 1,569	\$ 2,265,039
Allowance for Credit Losses on Unfunded Commitments:									
Balance at December 31, 2024	\$ 2,322	\$ 40,756	\$ 37,187	\$ 2,145	\$ -	\$ -	\$ 431	\$ 1,091	\$ 83,932
Provision for credit losses (credit loss reversal)	602	5,660	19,627	1,710	-	-	(265)	64	27,398
Balance at December 31, 2025	\$ 2,924	\$ 46,416	\$ 56,814	\$ 3,855	\$ -	\$ -	\$ 166	\$ 1,155	\$ 111,330

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communi- cations	International	Energy	Water and Waste-water	Rural Residential Real Estate	Total
Allowance for Credit Losses on Loans:									
Balance at December 31, 2023	\$ 659,680	\$ 667,329	\$ 266,034	\$ 19,093	\$ 2,328	\$ 155,732	\$ 6,445	\$ -	\$ 1,776,641
Charge-offs	-	(324,703)	-	-	-	-	-	-	(324,703)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (credit loss reversal)	169,776	(32,285)	(1,702)	(55)	(329)	(152,188)	(1,667)	776	(17,674)
Other	-	1	-	-	-	-	-	-	1
Balance at December 31, 2024	\$ 829,456	\$ 310,342	\$ 264,332	\$ 19,038	\$ 1,999	\$ 3,544	\$ 4,778	\$ 776	\$ 1,434,265
Allowance for Credit Losses on Unfunded Commitments:									
Balance at December 31, 2023	\$ 225	\$ 21,586	\$ 64,217	\$ 2,016	\$ -	\$ -	\$ 525	\$ 1,587	\$ 90,156
Provision for credit losses (credit loss reversal)	2,097	19,170	(27,030)	129	-	-	(94)	(496)	(6,224)
Balance at December 31, 2024	\$ 2,322	\$ 40,756	\$ 37,187	\$ 2,145	\$ -	\$ -	\$ 431	\$ 1,091	\$ 83,932

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communi- cations	Energy	Water and Waste-water	Rural Residential Real Estate	International	Total
Allowance for Credit Losses on Loans:									
Balance at December 31, 2022	\$ 305,431	\$ 270,913	\$ 577,823	\$ 32,844	\$ 224,567	\$ 10,615	\$ 233	\$ 4,521	\$ 1,426,947
Cumulative effect of a change in accounting principal	163,475	(93,537)	(176,995)	(21,546)	(1,817)	(5,220)	(102)	(2,506)	(138,248)
Balance at January 1, 2023	468,906	177,376	400,828	11,298	222,750	5,395	131	2,015	1,288,699
Charge-offs	-	(187,529)	-	-	-	-	-	-	(187,529)
Recoveries	-	-	-	-	3,711	-	-	-	3,711
Provision for credit losses (credit loss reversal)	190,774	677,482	(134,794)	7,795	(70,729)	1,050	(131)	313	671,760
Other	-	-	-	-	-	-	-	-	-
Balance at December 31, 2023	\$ 659,680	\$ 667,329	\$ 266,034	\$ 19,093	\$ 155,732	\$ 6,445	\$ -	\$ 2,328	\$ 1,776,641
Allowance for Credit Losses on Unfunded Commitments:									
Balance at December 31, 2022	\$ 137	\$ 94,010	\$ 124,215	\$ 1,922	\$ 2	\$ 694	\$ -	\$ 4,343	\$ 225,323
Cumulative effect of a change in accounting principal	(99)	(70,808)	(40,274)	(1,156)	(1)	(390)	-	(2,417)	(115,145)
Balance at January 1, 2023	38	23,202	83,941	766	1	304	-	1,926	110,178
Provision for credit losses (credit loss reversal)	187	(1,616)	(19,724)	1,250	(1)	221	-	(339)	(20,022)
Balance at December 31, 2023	\$ 225	\$ 21,586	\$ 64,217	\$ 2,016	\$ -	\$ 525	\$ -	\$ 1,587	\$ 90,156

The allowance for credit losses as of December 31, 2025 was \$2,376,369, reflecting an increase of \$858,172 from December 31, 2024. The increase was driven by higher risk factors and growth to the portfolio in the latter part of the year.

The association's macroeconomic forecast includes a weighted average selection of a third-party vendor's economic scenarios over a reasonable and supportable forecast period of two years. The economic scenarios utilized in the December 31, 2025, estimate for the allowance for credit losses were based on the following: a baseline scenario that represents a relatively stable economic environment; a downside scenario reflecting an economic recession during the forecast period; and an upside scenario that considers the potential for economic improvement relative to the baseline. The economic forecasts incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads.

NOTE 4 — LEASES

The components of lease expense were as follows:

	2025		2024		2023
Operating lease cost	\$ 18,787	\$	21,877	\$	16,912
Net lease cost	\$ 18,787	\$	21,877	\$	16,912

Other information related to leases was as follows:

	2025		2024		2023
Cash paid for amounts included in the measurement of lease liabilities:					
Operating cash flows for operating leases	\$ 18,787	\$	24,080	\$	23,240
Right-of-use assets obtained in exchange for new lease obligations:					
Operating leases	\$ -	\$	-	\$	5,609

Lease term and discount rate are as follows:

	December 31, 2025	December 31, 2024	December 31, 2023
Weighted average remaining lease term in years			
Operating leases	1.33	0.33	0.33
Weighted average discount rate			
Operating leases	4.24%	4.11%	4.13%

Future minimum lease payments under non-cancelable leases as of December 31, 2025, were as follows:

	Operating Leases
2026	\$ 16,333
2027	5,500
2028	-
2029	-
2030	-
Thereafter	-
Total	\$ 21,833

NOTE 5 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the bank and is carried at cost plus allocated equities in the accompanying consolidated balance sheets. Estimating the fair value of the association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The association owned 2.1 percent, 2.2 percent and 2.2 percent of the issued stock of the bank as of December 31, 2025, 2024 and 2023. As of those dates, the bank's assets totaled \$42.2 billion, \$39.5 billion and \$37.3 billion, and members' equity totaled \$2.1 billion, \$1.8 billion and \$1.7 billion. The bank's earnings were \$212.3 million, \$222.0 million and \$199.9 million during 2025, 2024 and 2023.

NOTE 6 — PREMISES AND EQUIPMENT

Premises and equipment consisted of the following as of December 31:

	2025	2024	2023
Building and improvements	\$ 6,210,089	\$ 6,020,967	\$ 6,003,505
Land and improvements	817,724	817,724	817,724
Automobiles	808,312	596,847	545,852
Furniture and equipment	553,304	577,143	577,143
Computer equipment and software	162,069	173,504	175,568
	8,551,498	8,186,185	8,119,792
Accumulated depreciation	(2,537,866)	(2,238,958)	(2,088,568)
Total	\$ 6,013,632	\$ 5,947,227	\$ 6,031,224

The association leases office space in Abilene, Texas. Lease expense was \$23,098, \$21,877 and \$16,912 for 2025, 2024 and 2023, respectively.

NOTE 7 — OTHER PROPERTY OWNED, NET

Other property owned, net (OPO), consisting of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at fair value, based on appraisal, less estimated selling costs upon acquisition. As of December 31, 2025, and December 31, 2024, the association had OPO of \$62,738 and \$322,003, respectively. There was no OPO at December 31, 2023.

The association currently holds an interest in two unincorporated business entities, PW PropCo Holdings, LLC, and Central Texas Holding, LLC, both established for the purpose of acquiring and selling unusual and complex collateral acquired through the loan collection process primarily for legal liability purposes. The association has a minority non-controlling interest in PW PropCo Holdings, LLC which currently holds the OPO discussed in the preceding paragraph at December 31, 2025. No acquired assets are currently held in Central Texas Holding, LLC, as of December 31, 2025.

NOTE 8 — OTHER ASSETS AND OTHER LIABILITIES

Other assets comprised the following as of December 31:

	2025	2024	2023
Accounts receivable	\$ 239,987	\$ 179,431	\$ 226,353
Other assets	46,508	43,235	54,990
Total	\$ 286,495	\$ 222,666	\$ 281,343

Other liabilities comprised the following as of December 31:

	2025	2024	2023
Postretirement benefits liability	\$ 1,964,757	\$ 2,139,928	\$ 1,860,604
Accounts payable	1,646,551	1,359,894	1,206,043
FCS insurance premium payable	555,621	544,618	933,204
Accrued annual leave	462,288	408,264	353,786
Allowance on unfunded commitments	111,330	83,932	90,156
Other liabilities	117,003	122,648	125,854
Total	\$ 4,857,550	\$ 4,659,284	\$ 4,569,647

NOTE 9 — NOTE PAYABLE TO THE BANK

The interest rate risk inherent in the association's loan portfolio is substantially mitigated through the funding relationship with the bank. The bank manages interest rate risk through its direct loan pricing and asset/liability management process. The association's indebtedness to the bank represents borrowings by the association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the association's assets and is governed by a general financing agreement. The interest rate on the direct loan is based upon the bank's cost of funding the loans the association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2026, unless sooner terminated by the bank upon the occurrence of an event of default, or by the association, in the event of a breach of this agreement by the bank, upon giving the bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the association's direct loan from the bank as of December 31, 2025, 2024 and 2023, was \$646,123,899 at 4.2 percent, \$577,807,184 at 4.1 percent and \$577,651,441 at 4.1 percent, respectively.

Under the Act, the association is obligated to borrow only from the bank unless the bank approves borrowing from other funding sources. The bank and FCA regulations have established limitations on the association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. As of December 31, 2025, 2024 and 2023, the association's note payable was within the specified limitations. The maximum amount the association may borrow from the bank as of December 31, 2025, was \$771,058,390, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2025, 2024 and 2023, the association was not subject to remedies associated with the covenants in the general financing agreement.

Other than the association's funding relationship with the bank, the association has no other uninsured or insured debt.

NOTE 10 — MEMBERS' EQUITY

A description of the association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions and equities are provided below.

Protection of certain borrower equity is provided under the Act that requires the association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of January 6, 1988, or were issued or allocated before October 6, 1988. If an association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

In accordance with the Act and the association's capitalization bylaws, each borrower is required to invest in the association as a condition of borrowing. The investment in Class A capital stock or participation certificates is equal to 2 percent of the loan amount, up to a maximum amount of \$1,000. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

Our bylaws generally permit stock and participation certificates to be retired at the discretion of the association's board of directors and in accordance with the association's capitalization plans, provided prescribed capital standards have been met. As of December 31, 2025, we exceeded the prescribed standards. We do not anticipate any significant changes in capital that would affect the normal retirement of stock.

Class A Stock may be transferred to people who assume liability for the transferor's loan, provided the assumptor is eligible under these bylaws to hold voting stock. Such a transfer shall be a necessary condition to the release of the transferor from liability on the loan. Outstanding Class A Stock may be transferred to a third party eligible to hold it when association meets minimum regulatory capital adequacy standards. Class A Stock shall not be pledged or hypothecated to third parties and may be transferred on the association's books only as authorized by these bylaws.

If needed to meet regulatory capital adequacy requirements, the board of directors of the association may increase the percentage of stock requirement for each borrower up to a maximum of 10 percent of the loan amount.

Each owner of Class A capital stock is entitled to a single vote, while participation certificates provide no voting rights to their owners.

Within two years of repayment of a loan, the association capital bylaws require the conversion of any borrower's outstanding Class A to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class C shares is made solely at the discretion of the Association's board of directors. As of December 31, 2025, 2024 and 2023, the association had no Class C stock.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of capital stock and participation certificates. In the event of liquidation of the association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the association's obligations to external parties and to the bank would be distributed to the association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. The following dividends and patronage distributions were declared and paid in 2025, 2024 and 2023, respectively:

Date Declared	Date Paid	Patronage
December 2024	March 2025	\$9,030,000
December 2023	March 2024	\$8,600,000
December 2022	March 2023	\$8,300,000

The Farm Credit Administration sets minimum regulatory capital requirements for banks and associations. As of December 31, 2025, the association is not prohibited from retiring stock or distributing earnings; furthermore, neither the board nor senior management knows of any such prohibitions that may apply during the subsequent fiscal year.

The following sets forth the regulatory capital ratio requirements and ratios as of December 31, 2025:

Risk-weighted:	Regulatory Minimums	Regulatory Minimums with Buffer	As of December 31, 2025	As of December 31, 2024	As of December 31, 2023
Common equity tier 1 ratio	4.50%	7.00%	15.74%	16.87%	16.97%
Tier 1 capital ratio	6.00%	8.50%	15.74%	16.87%	16.97%
Total capital ratio	8.00%	10.50%	16.05%	17.07%	17.21%
Permanent capital ratio	7.00%	7.00%	15.79%	16.90%	17.01%
Non-risk-weighted:					
Tier 1 leverage ratio	4.00%	5.00%	16.47%	17.54%	17.66%
UREE leverage ratio	1.50%	1.50%	16.20%	17.26%	17.37%

Risk-weighted assets have been defined by FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes that generally have the impact of increasing risk-weighted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments of less than 14 months.
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status.

Risk-weighted assets are calculated differently for the permanent capital ratio (referred to herein as PCR risk-weighted assets) compared with the other risk-based capital ratios. The primary difference is the deduction of the allowance for credit losses from risk-weighted assets for the permanent capital ratio.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock; other required borrower stock held for a minimum of seven years; allocated equities held for a minimum of seven years or not subject to revolvment;

unallocated retained earnings; paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions; and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.

- Tier 1 capital ratio is common equity tier 1 plus noncumulative perpetual preferred stock, divided by average risk-weighted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of five years; allocated equities held for a minimum of five years; subordinated debt and limited-life preferred stock greater than five years to maturity at issuance subject to certain limitations, allowance and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-weighted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock; any allocated excess stock; unallocated retained earnings; paid-in capital; subordinated debt; and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-weighted assets.
- Tier 1 leverage ratio is tier 1 capital (at least 1.5 percent must be URE and URE equivalents), including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvement less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The components of the association's risk-weighted capital, based on 90-day average balances, were as follows as of December 31, 2025:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	\$ 137,085,083	\$ 137,085,083	\$ 137,085,083	\$ 137,085,083
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,006,958	2,006,958	2,006,958	2,006,958
Allowance for credit losses and reserve for credit losses subject to certain limitations*	-	-	2,451,801	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(14,928,203)	(14,928,203)	(14,928,203)	(14,928,203)
	<u>\$ 124,163,838</u>	<u>\$ 124,163,838</u>	<u>\$ 126,615,639</u>	<u>\$ 124,163,838</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$ 803,659,681	\$ 803,659,681	\$ 803,659,681	\$ 803,659,681
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(14,928,203)	(14,928,203)	(14,928,203)	(14,928,203)
Allowance for credit losses	-	-	-	(2,341,892)
	<u>\$ 788,731,478</u>	<u>\$ 788,731,478</u>	<u>\$ 788,731,478</u>	<u>\$ 786,389,586</u>

*Capped at 1.25 percent of risk-weighted assets and inclusive of the reserve for unfunded commitments.

The components of the association's non-risk-weighted capital, based on 90-day average balances, were as follows as of December 31, 2025:

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	\$ 137,085,083	\$ 137,085,083
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	2,006,958	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(14,928,203)	(14,928,203)
	<u>\$ 124,163,838</u>	<u>\$ 122,156,880</u>
Denominator:		
Total Assets	\$ 771,957,303	\$ 771,957,303
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(17,936,303)	(17,936,303)
	<u>\$ 754,021,000</u>	<u>\$ 754,021,000</u>

The association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets necessary to achieve the association's capital adequacy goals as well as the minimum permanent capital standards. The plan monitors projected dividends, equity retirements and other actions that might decrease the association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedure and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for credit losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an association's customer base; and any other risk-oriented activities, such as funding an interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the association's goals and objectives with the board. A strong capital base, as outlined in the plan, will afford the association the opportunity to position itself to address the changing lending environment and provide the highest quality service to its stockholders.

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

As of December 31, the association had the following shares of Class A capital stock and participation certificates outstanding at a par value of \$5 per share:

	2025	2024	2023
Class A stock	400,912	395,574	396,444
Participation certificates	4,121	5,121	4,381
Total	<u>405,033</u>	<u>400,695</u>	<u>400,825</u>

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes as follows:

Accumulated Other Comprehensive Income (Loss)			
	Before Tax	Deferred Tax	Net of Tax
December 31, 2025			
Nonpension postretirement benefits	<u>\$ 205,018</u>	<u>\$ -</u>	<u>\$ 205,018</u>
December 31, 2024			
Nonpension postretirement benefits	<u>\$ (28,451)</u>	<u>\$ -</u>	<u>\$ (28,451)</u>
December 31, 2023			
Nonpension postretirement benefits	<u>\$ 218,689</u>	<u>\$ -</u>	<u>\$ 218,689</u>

The association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) and the location on the income statement for the year ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Accumulated other comprehensive (loss) income at January 1	\$ (28,451)	\$ 218,689	\$ 266,492
Actuarial gains (losses)	233,469	(236,770)	(15,588)
Amortization of prior service credit included			
in salaries and employee benefits	-	(4,915)	(20,475)
Amortization of actuarial gain included			
in salaries and employee benefits	-	(5,455)	(11,740)
Other comprehensive income (loss), net of tax	<u>233,469</u>	<u>(247,140)</u>	<u>(47,803)</u>
Accumulated other comprehensive income (loss) at December 31	<u>\$ 205,018</u>	<u>\$ (28,451)</u>	<u>\$ 218,689</u>

NOTE 11 — INCOME TAXES:

There was no provision for income taxes for the years ended December 31, 2025, 2024, or 2023, respectively. The difference in the statutory tax rate and the effective tax rate is primarily due to the tax exemption of the association and FLCA subsidiary earnings. The provision for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Federal tax at statutory rate	\$ 2,165,766	\$ 2,795,185	\$ 2,343,792
Effect of nontaxable FLCA subsidiary	(1,844,895)	(2,439,782)	(1,999,826)
Patronage distributions	(337,980)	(385,258)	(322,670)
Change in valuation allowance	16,130	29,855	(21,296)
Other	979	-	-
Provision for income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Deferred tax assets and liabilities are comprised of the following as of December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<u>Deferred Tax Assets</u>			
Allowance for credit losses on loans	\$ 63,364	\$ 47,235	\$ 16,784
Loss carryforwards	585,778	585,778	585,778
Gross deferred tax assets	649,142	633,013	602,562
Less: Valuation allowance	(649,142)	(633,013)	(602,562)
Deferred tax asset, net of valuation allowance	<u>-</u>	<u>-</u>	<u>-</u>
<u>Deferred Tax Liabilities</u>			
Gross deferred tax liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net deferred tax asset (liability)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings.

The association recorded valuation allowances of \$649,142, \$633,013 and \$602,562 during 2025, 2024 and 2023, respectively. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability) that the deferred tax assets will not be realized, based on management's estimates and assumptions as to future taxable earnings, including the effect of the association's expected patronage programs, which reduce taxable earnings. The association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly.

The association became an ACA in 2006. Under adoption, the association did not recognize the tax liability for any uncertain tax position. As of December 31, 2025, 2024 and 2023, the association did not recognize a tax liability for uncertain tax provisions.

The association has a net operating loss carryforward of \$2,789,417, which can be carried forward for 15 years as follows: \$704,202 will expire after 2027; \$587,383 will expire after 2028; \$1,022,882 will expire after 2031; and \$472,950 will expire after 2033.

NOTE 12 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the association participate in either the defined benefit retirement plan (DB Plan) or the defined contributions plan (DC Plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section H of Note 2, “Summary of Significant Accounting Policies.” The structure of the district’s DB Plan is characterized as multiemployer, because neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the DB plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. DB Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon district combination only. The association records current contributions to the DB Plan as an expense in the current year.

The CEO and certain executive or highly compensated employees in the association are eligible to participate in a separate nonqualified supplemental 401(k) plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (Supplemental 401(k) Plan). The Supplemental 401(k) Plan allows district employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow “make-up” contributions for eligible employees whose benefits to the qualified 401(k) plan were limited by the Internal Revenue Code during the year.
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) plan.
- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee’s account in the plan, and to designate a vesting schedule.

No payments were made from the Supplemental 401(k) Plan to active employees during 2025, 2024 and 2023.

The DB Plan is noncontributory and benefits are based on salary and years of service. The legal name of the plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB Plan is not subject to any contractual expiration dates. The DB Plan’s funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The DB Plan sponsor is the board of the Farm Credit Bank of Texas. The “projected unit credit” actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB plan, to facilitate reorganization and/or restructuring. The actuarial present value of vested and nonvested accumulated benefit obligation exceeded the net assets of the DB plan as of December 31, 2025.

The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the association chooses to stop participating in some of its multiemployer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the DB Plan, the association's contributions, and the percentage of association contribution to total plan contributions for the years ended December 31, 2025, 2024 and 2023:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Funded status of plan	78.1 %	75.7 %	73.3 %
Association's contribution	\$ 92,056	\$ 77,724	\$ 501,824
Percentage of Association's contribution to total contributions	2.3 %	2.1 %	7.7 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 78.3 percent, 76.2 percent and 74.1 percent as of December 31, 2025, 2024 and 2023, respectively.

Other Postretirement Benefits: In addition to pension benefits, the association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multiemployer and, consequently, the liability for these benefits is included in other liabilities.

The following table reflects the benefit obligation, cost and actuarial assumptions for the association's other postretirement benefits:

Retiree Welfare Benefit Plans

Disclosure Information Related to Retirement Benefits	2025	2024	2023
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	\$ 2,139,928	\$ 1,860,604	\$ 1,806,422
Service cost	20,495	17,691	21,089
Interest cost	112,030	100,143	92,012
Plan participants' contributions	4,592	4,619	7,492
Actuarial (gain) loss	(233,469)	236,770	15,588
Benefits paid	(78,819)	(79,899)	(81,999)
Accumulated postretirement benefit obligation, end of year	\$ 1,964,757	\$ 2,139,928	\$ 1,860,604
Change in Plan Assets			
Plan assets at fair value, beginning of year	\$ -	\$ -	\$ -
Company contributions	74,227	75,280	74,507
Plan participants' contributions	4,592	4,619	7,492
Benefits paid	(78,819)	(79,899)	(81,999)
Plan assets at fair value, end of year	\$ -	\$ -	\$ -
Funded status of the plan	\$ (1,964,757)	\$ (2,139,928)	\$ (1,860,604)
Amounts Recognized on the Balance Sheets			
Other liabilities	\$ (1,964,757)	\$ (2,139,928)	\$ (1,860,604)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial (gain) loss	\$ (205,018)	\$ 28,451	\$ (213,774)
Prior service credit	-	-	(4,915)
Total	\$ (205,018)	\$ 28,451	\$ (218,689)
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	12/31/2025	12/31/2024	12/31/2023
Discount rate	5.60%	5.35%	5.50%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	8.40%/10.10%	9.20%/10.80%	7.50%/8.40%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2035/2035	2034/2034	2034/2034

Total Cost	2025	2024	2023
Service cost	\$ 20,495	\$ 17,691	\$ 21,089
Interest cost	112,030	100,143	92,012
Amortization of:			
Unrecognized prior service cost	-	(4,915)	(20,475)
Unrecognized net gain	-	(5,455)	(11,740)
Net postretirement benefit cost	\$ 132,525	\$ 107,464	\$ 80,886
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial (gain) loss	\$ (233,469)	\$ 236,770	\$ 15,588
Amortization of net actuarial loss	-	5,455	11,740
Amortization of prior service cost	-	4,915	20,475
Total recognized in other comprehensive income	\$ (233,469)	\$ 247,140	\$ 47,803
AOCI Amounts Expected to be Amortized Into Expense in 2026			
Unrecognized net transition obligation (asset)	\$ -		
Unrecognized prior service cost	-		
Unrecognized net gain	(1,624)		
Total	\$ (1,624)		
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	12/31/2024	12/31/2023	12/31/2022
Discount rate	5.35%	5.50%	5.20%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	9.20%/10.80%	7.50%/8.40%	7.20%/7.70%
Ultimate health care cost trend rate	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2034/2034	2033/2033	2031/2031

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)

Fiscal 2026	\$ 81,505
Fiscal 2027	81,627
Fiscal 2028	92,211
Fiscal 2029	103,123
Fiscal 2030	114,512
Fiscal 2031–2035	680,832

Expected Contributions

Fiscal 2026	\$ 81,505
-------------	-----------

NOTE 13 — RELATED PARTY TRANSACTIONS:

Directors of the association, except for any director-elected directors, are required to be borrowers/stockholders of the association. Also, in the ordinary course of business, the association may enter into loan origination or servicing transactions with its officers, relatives of officers and directors, or with organizations with which such people are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such people as of December 31, 2025, 2024 and 2023 for the association amounted to \$13,690,057, \$14,974,092 and \$3,185,688. During 2025, 2024 and 2023, \$2,436,949, \$3,739,294 and \$1,040,129 of new loans were made, and repayments totaled \$3,991,717, \$4,920,014 and \$989,321, respectively. In the opinion of management, no such loans outstanding as of December 31, 2025, 2024 and 2023 involved more than a normal risk of collectibility.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the bank and passed through to the district associations, such as FCSIC expenses. The bank charges the individual district associations directly for these services based on each association’s proportionate usage. These expenses totaled \$269,027, \$246,285 and \$184,244 in 2025, 2024 and 2023, respectively.

The association received patronage payments from the bank totaling \$1,046,611, \$1,922,226 and \$1,928,103 during 2025, 2024 and 2023, respectively.

NOTE 14 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, “Summary of Significant Accounting Policies,” for additional information.

No assets or liabilities were measured at fair value on a recurring basis as of December 31, 2025, 2024 and 2023. Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

December 31, 2025	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 74,707	\$ 74,707
Other property owned	-	-	62,738	62,738
December 31, 2024				
	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 43,227	\$ 43,227
Other property owned	-	-	322,003	322,003
December 31, 2023				
	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 1,338,704	\$ 1,338,704
Other property owned	-	-	-	-

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the consolidated balance sheets for each of the fair value hierarchy values are summarized as follows:

	December 31, 2025				Total Fair Value
	Total Carrying Amount	Level 1	Level 2	Level 3	
Assets:					
Cash	\$ 3,375	\$ 3,375	\$ -	\$ -	\$ 3,375
Net loans	762,017,302	-	-	742,607,630	742,607,630
Total Assets	<u>\$ 762,020,677</u>	<u>\$ 3,375</u>	<u>\$ -</u>	<u>\$ 742,607,630</u>	<u>\$ 742,611,005</u>
Liabilities:					
Note payable to Bank	\$ 646,123,899	\$ -	\$ -	\$ 629,714,298	\$ 629,714,298
Total Liabilities	<u>\$ 646,123,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 629,714,298</u>	<u>\$ 629,714,298</u>

December 31, 2024
Fair Value Measurement Using

	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	\$ 1,050	\$ 1,050	\$ -	\$ -	\$ 1,050
Net loans	693,707,660	-	-	660,687,115	660,687,115
Total Assets	\$ 693,708,710	\$ 1,050	\$ -	\$ 660,687,115	\$ 660,688,165
Liabilities:					
Note payable to Bank	\$ 577,807,184	\$ -	\$ -	\$ 550,359,019	\$ 550,359,019
Total Liabilities	\$ 577,807,184	\$ -	\$ -	\$ 550,359,019	\$ 550,359,019

December 31, 2023
Fair Value Measurement Using

	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	\$ 4,835	\$ 4,835	\$ -	\$ -	\$ 4,835
Net loans	690,819,474	-	-	654,003,824	654,003,824
Total Assets	\$ 690,824,309	\$ 4,835	\$ -	\$ 654,003,824	\$ 654,008,659
Liabilities:					
Note payable to Bank	\$ 577,651,441	\$ -	\$ -	\$ 546,919,467	\$ 546,919,467
Total Liabilities	\$ 577,651,441	\$ -	\$ -	\$ 546,919,467	\$ 546,919,467

Uncertainty of Fair Value Measurements

Quoted market prices are generally not available for the instruments presented below. Accordingly, fair values are based on internal models that consider judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

About nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and consider unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the Association for assets and liabilities:

Loans Evaluated for Impairment

For certain loans evaluated for impairment under impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement

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

Other Property Owned

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

NOTE 15 — COMMITMENTS AND CONTINGENCIES

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the association is involved in various legal proceedings in the ordinary course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the association.

The association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. As of December 31, 2025, \$100,043,175 of commitments and \$2,995,568 of commercial letters of credit were outstanding.

Because many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the consolidated balance sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 16 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2025				
	First	Second	Third	Fourth	Total
Net interest income	\$ 5,219	\$ 5,184	\$ 5,181	\$ 5,373	\$ 20,957
(Provision for) reversal of credit losses	(18)	(631)	(296)	76	(869)
Noninterest expense, net	(2,403)	(2,089)	(2,189)	(3,094)	(9,775)
Net income	\$ 2,798	\$ 2,464	\$ 2,696	\$ 2,355	\$ 10,313

	2024				
	First	Second	Third	Fourth	Total
Net interest income	\$ 5,274	\$ 5,173	\$ 5,307	\$ 5,377	\$ 21,131
(Provision for) reversal of credit losses	(160)	398	(136)	(78)	24
Noninterest expense, net	(2,266)	(1,724)	(2,062)	(1,793)	(7,845)
Net income	\$ 2,848	\$ 3,847	\$ 3,109	\$ 3,506	\$ 13,310

	2023				
	First	Second	Third	Fourth	Total
Net interest income	\$ 4,875	\$ 4,846	\$ 5,022	\$ 5,183	\$ 19,926
(Provision for) reversal of credit losses	97	(1,010)	567	(306)	(652)
Noninterest income (expense), net	(1,805)	(1,572)	(1,891)	(2,845)	(8,113)
Net income	\$ 3,167	\$ 2,264	\$ 3,698	\$ 2,032	\$ 11,161

NOTE 17 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through March 11, 2026, which is the date the financial statements were issued or available to be issued and has determined that there were no other events requiring disclosure.

DISCLOSURE INFORMATION AND INDEX

(Unaudited)

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the people eligible to borrow, the types of lending activities engaged in and the financial services offered and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, “Organization and Operations,” included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in this annual report.

DESCRIPTION OF PROPERTY

The Central Texas Farm Credit, ACA (the “association”) serves its 20-county territory through its main administrative and lending office at 1026 Early Boulevard, Early, Texas, 76803. Additionally, seven branch lending offices are located throughout the territory. The association owns the office buildings in Brady, Coleman, Comanche, Early, Haskell, San Angelo, and San Saba, Texas. The association leases office space in Abilene, Texas.

LEGAL PROCEEDINGS

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

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 10 to the consolidated financial statements, “Members’ Equity,” included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 9, “Note Payable to the Bank,” Note 12, “Employee Benefit Plans,” and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 15 to the consolidated financial statements, “Summary of Significant Accounting Policies” and “Commitments and Contingencies,” respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The association’s financial condition may be impacted by factors that affect the Bank, as discussed in Note 1 to the consolidated financial statements, “Organization and Operations,” included in this annual report. The financial condition and results of operations of the bank may materially affect the stockholders’ investment in the Association.

The annual and quarterly stockholder reports of the bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 465-0738. Copies of the bank’s annual and quarterly stockholder reports can also be requested by e-mailing fcb@farmcreditbank.com and are also available on its website at www.farmcreditbank.com.

The association’s quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter end on the association’s website at centraltexasfarmcredit.com and can be obtained by writing to Central Texas Farm Credit, ACA, Accounting Department, P.O. Box 3200, Early, Texas, 76803 or calling

(325) 643-5563. Copies of the association’s quarterly stockholder reports can also be requested by e-mailing *Keith.Prater@centraltexasfc.com*. The association’s annual stockholder report is available on its website at *www.centraltexasfarmcredit.com* 75 days after the fiscal year end. Copies of the association’s annual stockholder report can also be requested 90 days after the fiscal year end using the same request methods described above.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2025, required to be disclosed, is incorporated herein by reference to the “Five-Year Summary of Selected Consolidated Financial Data” included in this annual report to stockholders.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

“Management’s Discussion and Analysis,” which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The association’s member-elected and director-elected board of directors and senior officers are as follows:

NAME	POSITIONS	DATE ELECTED/ EMPLOYED	TERM EXPIRES
Robby Halfmann	Chairman	2008	2026
Philip Hinds	Vice Chairman	2009	2027
Holden Jacoby	Director	2024	2027
Steven Lehrmann	Director	2014	2026
Frank Volleman	Director	2024	2028
Burl Lowery	Director-Elected Director	2013	2027
Gerald Rodgers	Director-Elected Director	2022	2028
Zach May	Chief Executive Officer	2009	
Travis McKinney	EVP/Chief Lending and Operating Officer	2000	
Keith Prater	Chief Financial Officer	2015	
Jim Ed Field	Chief Credit Officer	2013	

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

Robby Halfmann – age 45 – Halfmann is a third-generation farmer and rancher in Runnels, Coleman and Concho counties. After attending Tarleton State University, Halfmann moved home to Runnels County. His principal business is managing his stocker cattle and cow-calf operations and farming small grains. He is also the co-owner of Frey Cattle Company, a cattle order buying operation in Ballinger, and he serves as the company’s foreman and order buyer. In addition, he is a shareholder of S&H Land and Livestock LLC, whose primary business is managing a stocker cattle operation in Concho County. Halfmann is the chairman of the association’s board of directors and serves on the audit, compensation and executive committees. He is also the association’s representative on the Farm Credit Bank of Texas’ stockholder advisory and nominating committees. Halfmann was first appointed to the board in 2008 and is serving a three-year term that expires in 2026.

Philip Hinds – age 68 – Hinds is a cow-calf operator in Coleman County. His principal business is that of owner/operator of Glasson Rentals and Self-Storage in Coleman, Texas. Hinds attended Texas State Technical Institute, and he is a current member of the Coleman County Rodeo Association and a former member of the Coleman County Farm Bureau. Hinds is the vice chairman of the association’s board of directors and serves on the association’s audit, executive and compensation committees. He was first appointed to the board in 2009 and is currently serving a three-year term that expires in 2027.

Holden Jacoby – age 36 – Jacoby resides in McCulloch County, and his principal business is serving as owner and broker of Jacoby Land Co., a farm and ranch real estate company primarily working in McCulloch and surrounding counties. He is also actively involved in his family’s businesses. Jacoby Feed and Seed, a grain elevator, and Jacoby and Jacoby Inc., an agricultural services provider, are both in Melvin, Texas. Jacoby received his Bachelor of Science degree in agricultural and applied economics from Texas Tech University. He serves on the association’s audit and compensation committees. Jacoby was first elected to the board in 2024 and is serving a three-year term that expires in 2027.

Steven Lehrmann – age 71 – Lehrmann is a farmer and rancher in Haskell and Stonewall counties. After graduating from Texas Tech University, Lehrmann moved home to Haskell County. His primary business is farming wheat and hay crops and managing a cow-calf and stocker operation. Lehrmann is a member of the Haskell County Farm Bureau and the Rolling Plains Central Boll Weevil Eradication Steering Committee. He is currently committee chairman of the Haskell County FSA Committee and formerly served as a member of the Rule ISD School Board and the Sagerton Water Supply Corp. He was also the past president of the Haskell County Jr. Livestock Show Committee and the former chairman of the Haskell County Appraisal Review Board. Lehrmann serves on the association’s audit and compensation committees. He was first elected to the board in 2014 and is serving a three-year term that expires in 2026.

Frank Volleman – age 62 – Mr. Volleman is a dairy farmer in Comanche County. His principal business is being the chief executive officer and managing member of Wildcat Dairy LLP; Natural Dairy Grower LLC; Volleman Dairy Processing LLC; and Volleman Renewables LLC. Volleman’s operations are headquartered in Comanche County. He serves as a director for the Middle Trinity Groundwater Conservation District and is a member of Select Milk Producers Inc. He also serves on the association’s audit and compensation committees. Volleman was first appointed to the board in July 2024 and is serving a three-year term that expires in 2028.

Burl Lowery – age 75 – Lowery, a Certified Public Accountant, owns and operates Burl D. Lowery CPA, an accounting practice in Brownwood, Texas. His primary business is managing his accounting practice. In addition, he currently runs a cow-calf operation and raises hay, peanuts and cotton in Comanche County. Lowery is a graduate of Tarleton State University and a member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants. He was first appointed by the board in January 2013 to serve as a director-elected director. He is also the designated financial expert as defined in and required by FCA regulation. He serves as the chairman of the audit committee and is also a member of the compensation committee. Lowery is serving a three-year term that expires in 2027.

Gerald Rodgers – age 67 – Rodgers, a Certified Public Accountant, is a shareholder of James E. Rodgers and Company, PC, an accounting firm in Hamlin, Texas. His primary business is his accounting practice, and he has been with James E. Rodgers and Company for more than 40 years. Rodgers graduated from Texas Tech University with a Bachelor of Business Administration degree in accounting. He serves as the vice chairman of the association’s audit committee and serves on the compensation committee. He was first appointed by the board in August 2022 to serve as a director-appointed director, and he is serving a three-year term that expires in 2028.

Zach May – age 47 – May was promoted to chief executive officer in July 2023, and that is his principal occupation. He previously served as the association’s chief operating officer beginning in 2011 and has also served as the association’s operations manager. Prior to joining the Association in 2009, he was a senior credit analyst at Capital Farm Credit and a commissioned examiner with the Farm Credit Administration. He holds a bachelor’s degree in international studies and a master’s degree in public policy from Texas A&M University, and he is also a graduate of the Southwestern Graduate School of Banking at Southern Methodist University. He has been employed in the Farm Credit System since 2008.

Travis McKinney – age 49 – McKinney was promoted to EVP chief lending and operating officer in July 2023, and that is his principal occupation. Before transitioning to that role, he served as the chief lending officer beginning in 2022, and previously served as the chief credit officer, beginning in 2013. McKinney has also held the roles of senior vice president of lending and branch president of the Early branch office. He has a bachelor’s degree in agricultural services and development from Tarleton State University, and he is also a graduate of the Southwestern Graduate School of Banking at Southern Methodist University. McKinney has been employed in the Farm Credit System since 2000.

Keith Prater – age 51 – Prater has served as the chief financial officer since 2018, and that is his principal occupation. He previously served as the controller for the association. Before joining the association, Prater was the controller for a pecan shelling operation. He has a bachelor’s degree in both accounting and finance from the University of Texas at Arlington. Prater has been employed in the Farm Credit System since 2015.

Jim Ed Field – age 49 – Field has served as the chief credit officer of the association since January 1, 2022, and that is his principal occupation. Before transitioning to that role, he served as the senior vice president of credit and lending beginning in 2018. Field has also held the role of director of credit analysis. Prior to joining the association in 2013, he was an investment manager with MetLife Agricultural Investments and a credit office president with First Ag Credit. Field has a bachelor’s degree in agricultural development from Texas A&M University and a master’s degree in agricultural and applied economics from Texas Tech University. He began his agricultural lending career in 2000, serving all but six years in the Farm Credit System.

COMPENSATION OF DIRECTORS

The chairman and director-elected directors were compensated for their service to the association in the form of a retainer at the rate of \$1,000 per month, and all other directors received a retainer of \$800 per month. Directors were also compensated at the rate of \$400 per day for training sessions and other in-person meetings. In addition, directors were paid \$150 for each committee meeting held on the same day as a board meeting (excluding audit committee meetings), conference calls and association events. They were reimbursed for certain expenses incurred while representing the association in an official capacity. Mileage for attending official meetings during 2025 was paid at the IRS-approved rate of 70 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request (NOTE: The mileage rate changed effective January 1, 2025, from 67 cents to 70 cents).

Director	Number of Days Served Associated With		Total Compensation in 2025
	Board Meetings	Other Official Activities	
Robby Halfmann	9	16	\$ 21,650
Philip Hinds	9	19.5	\$ 20,650
Holden Jacoby	8	13	\$ 17,400
Steven Lehrmann	8	13.5	\$ 18,100
Frank Volleman	7	19	\$ 18,900
Burl Lowery	9	8	\$ 18,450
Gerald Rodgers	9	7	\$ 18,300
			\$ 133,450

The aggregate compensation paid to directors in 2025, 2024 and 2023 was \$133,450, \$125,650 and \$131,300, respectively. Additional details regarding director compensation paid for committee service (which is included in the table above) is as follows for 2025:

	Compensation Committee
Robby Halfmann	\$ 800
Philip Hinds	\$ 800
Holden Jacoby	\$ 800
Steven Lehrmann	\$ 800
Frank Volleman	\$ 800
Burl Lowery	\$ 800
Gerald Rodgers	\$ 800
	\$ 5,600

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was \$13,668, \$10,456 and \$19,882 in 2025, 2024 and 2023, respectively.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

All employee salaries are administered in accordance with the salary administration program, which is approved annually by the compensation committee (comprised of the entire board of directors). All salary decisions for employees other than the chief executive officer (CEO) are determined by the CEO with input from employee supervisors. The aggregate amount of annual employee salary increases is proposed by the CEO and approved by the compensation committee at the December meeting.

All employee bonuses are determined using the calculation methodology outlined in the annual bonus plan, which is approved annually by the board. The plan is based on the association’s net income, growth in accrual loan volume and individual branch performance in three areas (credit quality, credit administration and new loan originations). Each employee has a target bonus payout, which is a percentage of their base salary. The target payouts vary according to the employee’s level of responsibility. The compensation committee approves the aggregate bonus payout for all employees separately from the CEO at the January compensation committee meeting following the end of the plan year. Bonuses are generally paid in the second payroll period following the January compensation committee meeting. The compensation committee is not bound by the results of the bonus calculation. Final bonus payouts are at the sole discretion of the committee. The association does not defer any compensation.

Chief Executive Officer Compensation Policy

The CEO’s salary and bonus are determined by the compensation committee. The CEO’s total compensation for the past three years is detailed in the table below.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the association during 2025, 2024 and 2023. This may include other nonsenior officers if their total compensation is within the top five highest-paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Individual or Number in Group	Year	Salary (b)	Bonus (c)	Change in Pension Value (d)	Deferred/Perquisite (e)	Other (f)	Total
J. Zachary May, CEO	2025	\$ 312,072	\$ 94,465	\$ -	\$ 41,249	\$ -	\$ 447,786
J. Zachary May, CEO	2024	\$ 277,143	\$ 88,846	\$ -	\$ 39,633	\$ -	\$ 405,621
J. Zachary May, CEO	2023	\$ 219,316	\$ 77,781	\$ -	\$ 33,701	\$ -	\$ 330,797
Boyd J. Chambers, CEO*	2023	\$ 165,000	\$ 52,923	\$ -	\$ 11,903	\$ -	\$ 229,827
<i>*Retired as of 6/30/2023</i>							
Aggregate Number of Senior Officers (a)							
5	2025	\$ 941,430	\$ 284,532	\$ -	\$ 145,693	\$ -	\$ 1,371,655
5	2024	\$ 890,072	\$ 268,845	\$ -	\$ 137,132	\$ -	\$ 1,296,049
5	2023	\$ 809,541	\$ 241,701	\$ -	\$ 128,257	\$ -	\$ 1,179,499

- (a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.
- (b) Gross salary, including retention plan compensation for certain senior officers.
- (c) Bonuses paid within the first 31 days of the subsequent calendar year.
- (d) Change in pension value represents the change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year.
- (e) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, automobile benefits and premiums paid for life insurance.
- (f) Amounts in the “Other” column include payouts for accrued annual leave and service awards, when applicable.

Disclosure of information on the total compensation paid and the arrangement of the compensation plan during the last fiscal year for any senior officer or for any officer included in the aggregate are available and will be disclosed to shareholders of the association upon request.

Pension Benefits

The association participates in the Farm Credit Bank of Texas Pension Plan (the “pension plan”), which is a qualified defined benefit retirement plan. Compensation, as defined in the pension plan, includes wages, incentive compensation and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement or transfer of employment, severance payments, retention bonuses, taxable fringe benefits and any other payments. Pension plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 (“FAC60”). The pension plan’s benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times “Years of Benefit Service” and (b) 0.50 percent of (i) FAC60 in excess of Social Security-covered compensation items and (ii) “Years of Benefit Service” (not to exceed 35). The present value of the senior officers accumulated pension plan is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes with the retirement at age 65. The pension plan’s benefit formula for the Normal Retirement Pension assumes that the senior officer is married on the date the annuity begins, that the spouse is exactly two years younger than the senior officer and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions is incorrect, the benefit is recalculated to be the actuarial equivalent benefit.

The association has a remaining debt obligation to former employees who participated in the defined pension plan. However, neither the CEO nor any senior officers are eligible to participate in the defined pension plan.

Other Compensation and Benefit Disclosures

Employees assigned association automobiles reimburse the association for personal miles at a board-established rate. Employees who use their personal automobiles for business purposes were reimbursed during 2025 at the IRS-approved rate of 70 cents per mile.

Neither the CEO nor any other senior officer received noncash compensation exceeding \$5,000 in 2025, 2024 and 2023.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting association business. A copy of the association’s travel and vehicle policy is available to shareholders upon request.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The association’s policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 13 to the consolidated financial statements, “Related Party Transactions,” included in this annual report.

DIRECTORS’ AND SENIOR OFFICERS’ INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

No directors or senior officers of the Association have had any involvement in any events or legal proceedings as required to be disclosed per FCA Regulation 620.6(f) during the past five years.

RELATIONSHIP WITH INDEPENDENT AUDITOR

No change in auditors has taken place since the last annual report to stockholders, and no disagreements with the auditor have occurred that the association is required to report to the Farm Credit Administration under part 621 of the FCA regulations governing disclosure. The total fees for professional services rendered by PricewaterhouseCoopers LLP for the association during 2025 were \$122,892 for audit services.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The association has business relationships with PW PropCo Holdings, LLC and Central Texas Holding LLC, which are limited liability companies formed for the purpose of acquiring and managing unusual and complex collateral (acquired property). Additional information is included in Note 7 to the consolidated financial statements, “Other Property Owned, net.”

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 11, 2026, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. The Association's directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the association or its members.

CODE OF ETHICS

The association has adopted a code of ethical conduct (the "code"), which is applicable to every director, officer, employee and agent of the association. The code reaffirms the high standards of business conduct required of and provides guidance to the association and its directors, officers, employees and agents. The code is available for review on the association's website.

Directors, officers, employees and agents are prohibited from directly or indirectly taking any action to fraudulently influence, coerce, manipulate or mislead the association's independent public accountant, other directors, officers, employees or agents for the purpose of rendering the financial statements of the association misleading or for any purpose that is in violation of the standards of conduct.

Directors, officers, employees and agents understand that they will be held accountable for adherence to the code. Failure to observe the terms of this code might result in disciplinary action up to and including termination of employment or removal from the board of directors. Violations of the code also might constitute violations of law and might result in civil and criminal penalties.

Directors, officers, employees and agents understand that any questions regarding the best course of action in a particular situation should be promptly addressed to the association's Standards of Conduct Official and that any individual reporting any possible violation of this code may remain anonymous when reporting a possible violation of this code.

The association has retained a qualified, independent, third-party individual to serve as the association's Standards of Conduct Official, who shall be the primary contact for reporting of alleged violations of this code or association standards of conduct.

CREDIT AND SERVICES TO YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

The Young, Beginning, and Small Farmer (YBS) mission of the association is to partner with YBS farmers, ranchers, and producers or harvesters of aquatic products by providing sound and constructive credit and related services in the association's territory.

DEFINITIONS

- Young Borrower: A farmer, rancher, or producer or harvester of aquatic products who is age 35 or younger as of the loan transaction date.
- Beginning Borrower: A farmer, rancher or producer or harvester of aquatic products who has 10 or fewer years farming, ranching or aquatic experience as of the loan transaction date.
- Small Borrower: A farmer, rancher, or producer or harvester of aquatic products who normally generates less than \$350,000 in annual gross cash farm income of agricultural or aquatic products at the date the loan was originally made.

STRATEGY

To accomplish this mission, the association will provide:

- The flexibility of existing loan programs to the advantage of YBS applicants.
 - Loan approvers will fully use any potential flexibility in term, repayment schedules, amortization requirements, initial deferments, schedule of advances and other such loan approval conditions consistent with existing lending standards and policies.
 - Loan servicing remedies such as re-amortizations, deferments, extensions, renewals and other techniques will be fully made available to YBS borrowers allowed by policy.

- A relaxed set of underwriting standards for “Young” farmers and ranchers is in place to enable and encourage these farmers and ranchers to begin, grow and/or remain in agricultural production.
- Staff resources and expertise to effectively originate and service loans and provide credit-related services to YBS borrowers.
 - The association’s chief executive officer (CEO) will have primary responsibility for:
 - Implementing the association’s YBS program, and
 - Developing and submitting reports on the YBS program to the Farm Credit Bank of Texas (FCBT) and Farm Credit Administration (FCA).
 - The association will maintain a designated YBS team responsible for:
 - Enhancing staff expertise to provide the special financing and related service needs of program applicants.
 - Developing and investigating new opportunities to further serve the YBS community.
 - Providing operational and logistical support to association staff hosting or sponsoring YBS events and programs.
 - Exploring additional educational opportunities for YBS borrowers.
 - Developing additional avenues to target YBS borrowers.
- A commitment of financial resources to ensure the objectives of this plan are met.
- Oversight by the Central Texas Farm Credit Board of Directors (the “board”)
 - The board is responsible for ensuring adequate financial and human resources are available and maintaining an appropriate risk management philosophy for the YBS program.
 - The board monitors the YBS program to ensure the program objectives are being met without compromising the ability of the association to serve nonprogram farmers, ranchers or producers or harvesters of aquatic products.
- Guidance and financial assistance to YBS borrowers and the organizations that support them.
 - The association will provide instruction and guidance to YBS borrowers in areas such as:
 - Record keeping.
 - Financial analysis and management.
 - Leasing.
 - Capital investment decision-making.
 - Marketing strategies and other such management areas.
 - Financial support will be given to extension services and young farmer groups to sponsor seminars, field days and special events.
 - Credit counseling.
 - The association will provide internships and scholarships for additional opportunities to those who wish to build a career in agriculture.
- The association will continue to use broadened criteria used to classify a full-time farmer to include part-time YBS borrowers who demonstrate intent to have agriculture production as their primary source of income.
- Coordinate extension of credit with other financing entities, as appropriate, to ensure the credit needs of YBS customers are met.
 - The association will actively seek opportunities to coordinate with other farm credit system institutions, government agencies, and the private and public sector entities.

TARGETS

Based on USDA’s 2022 Census of Agriculture, the makeup of YBS Farmers in our territory is as follows:

	Total	With Debt
Young	1,001	304
Beginning	5,405	1,635
Small	12,835	3,352

As of the end of the fourth quarter of 2025, the following table summarizes information regarding outstanding loan counts and current commitment volume from originated loans or qualifying loan servicing actions completed prior to 2025 to young, beginning, and small farmers and ranchers:

	As of December 31, 2025	
	Loan Counts	Loan Volume
		<i>(dollars in thousands)</i>
Young Only	23	\$ 3,780
Young & Beginning	71	\$ 31,133
Young & Small	50	\$ 5,364
Beginning Only	45	\$ 21,392
Beginning & Small	626	\$ 108,911
Small Only	620	\$ 87,208
Young, Beginning, & Small	245	\$ 40,086
Non-YBS	428	\$ 236,766
Total	2,108	\$ 534,640

As of the end of the fourth quarter of 2025, the following table summarizes information regarding new loan counts and current commitment volume from originated loans and qualifying loan servicing actions completed in 2025 to young, beginning, and small farmers and ranchers:

	As of December 31, 2025	
	Loan Counts	Loan Volume
		<i>(dollars in thousands)</i>
Young Only	5	\$ 6,458
Young & Beginning	5	\$ 5,225
Young & Small	11	\$ 2,070
Beginning Only	8	\$ 14,038
Beginning & Small	99	\$ 19,282
Small Only	138	\$ 24,452
Young, Beginning, & Small	70	\$ 15,212
Non-YBS	160	\$ 154,881
Total	496	\$ 241,618

The association continues all efforts to target YBS farmers and ranchers in our territory who are not customers using outreach programs, including but not limited to, advertising participating in educational programs, working with extension agents, participating in agricultural field days, livestock show, and agricultural seminars, etc. In addition, association loan officers and senior management offer credit counseling to YBS farmers and ranchers. We will also work with other financial institutions, as appropriate, to ensure the credit needs of these borrowers are met.

GOALS

The association's YBS goal for 2025 was for at least 60 percent of all new loans to be made to borrowers who met one or more of the YBS criteria. We met that goal as almost 68 percent of our new loans, including qualifying loan servicing actions, were to a young, beginning, or small farmer or rancher.

The ultimate goal of the association's YBS program is to market to all populations of YBS farmers, ranchers, and producers, including but not limited to, underserved communities and groups. Marketing, education and outreach efforts are directed at all of these communities and groups through our normal advertising and public and member relations outreach activities.

REPORTING

The association incorporates the goals of its YBS program into the strategic business plan, reports the performance results to the board at least quarterly and FCBT annually. In addition, we include a description of our YBS program and a status report on each component in the Annual Report. The Annual Report, with the YBS program information, is posted on the association's website and mailed to stockholders.

Central Texas Farm Credit, ACA

PO Box 3200

1026 Early Blvd.

Early, Texas 76803

PRESORTED
STANDARD
U.S. POSTAGE
PAID
AUSTIN, TX
PERMIT NO. 1

ADDRESS SERVICE REQUESTED

Your Rural Lending Partner - Since 1916

