

CENTRAL TEXAS FARM CREDIT, ACA

**2026
Quarterly Report
First Quarter**



For the Quarter Ended March 31, 2026

REPORT OF MANAGEMENT

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



Zach May, Chief Executive Officer
May 8, 2026



Robby A. Halfmann, Chairman, Board of Directors
May 8, 2026



Keith Prater, Chief Financial Officer
May 8, 2026

First Quarter 2026 Financial Report

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CENTRAL TEXAS FARM CREDIT, ACA MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Central Texas Farm Credit, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended March 31, 2026. These comments should be read in conjunction with the accompanying consolidated financial statements and the December 31, 2025, Annual Report to Stockholders.

The Association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Significant Events

2026

In March 2026, a patronage refund of \$8,000,000 was distributed to the Association's borrowers. The patronage refund was declared by the board of directors in December 2025, and the amount was based on the Association's 2025 operating results.

2025

In December 2025, the Association received a direct loan patronage of \$1,046,611 from the Farm Credit Bank of Texas (the 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 Bank, representing 33.2 basis points on the average daily balance of the Association's direct loan with the Bank. Also, the Association received participation 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.

Loan Portfolio

Total loans outstanding at March 31, 2026, including nonaccrual loans and sales contracts, were \$771,521,238 compared to \$764,357,048 at December 31, 2025, reflecting an increase of 0.9 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.0 percent at March 31, 2026, compared to 0.1 percent at December 31, 2025.

The Association recorded no recoveries and \$44,787 charge-offs for the quarter ended March 31, 2026, and no recoveries and charge-offs for the quarter ended March 31, 2025. The Association's allowance for credit losses were 0.3 percent of total loans outstanding as of March 31, 2026, and December 31, 2025.

Territory Conditions

The local economy in the Association's chartered territory continued to remain relatively strong in 2026. Real estate values have stabilized with residential and land sales slowing some due to higher costs of construction and continued higher interest rates.

The majority of the Association's new loans made during the past number of years have been to absentee landowners with diverse income sources looking for a place for a small agricultural operation or recreational use. As a result, the Association has a diversified portfolio that is not heavily dependent on agricultural income. Even those borrowers who are primarily agricultural producers typically have outside income from a spouse's employment, part-time jobs, investments, etc. The above is reflected in the Association's sound credit quality and small number of delinquencies.

According to a March 2026 USDA Drought Monitor report, most of the Association’s territory was in a moderate drought. The drought table had 1.18% of the state showing to be out of any level of drought category. This was down from 28.06% reported for the end of Q4. However, with hotter-than-normal conditions for most of the quarter and mixed rain, pasture conditions varied from abnormal to moderate, depending heavily on localized rainfall.

By the end of the quarter, global wheat production forecast was at a record high. Cotton is at \$0.67/lb. with future prices expected to continue to rise to around \$0.72/lb by the end of the year. Sorghum and alfalfa hay prices in Texas are both above the national average in the first quarter of 2026, while other hay prices in the state are well below the national average.

Cattle prices lowered but supply fundamentals remain. The futures board for March reported feeder cattle trading around \$359/cwt up \$24 from Q4 2025. Forward contract prices are expected to remain strong due to tight supplies and strong demand. Live cattle prices climbed to \$235.30/cwt in March up from \$230/cwt reported in December.

Class III Milk futures softened in Q1 2026, but closing near \$16.12/cwt, down from \$17.06/cwt in Q4 2025. Forward contracts expect a slight increase, with the highest quotes near \$18.68/cwt in Q3 of 2026.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest and other property owned, net.

The following table illustrates the Association’s components and trends of high-risk assets.

	March 31, 2026		December 31, 2025	
	Amount	%	Amount	%
Nonaccrual	\$ 297,797	82.6%	\$ 403,893	84.6%
Other property owned, net	62,738	17.4%	62,738	15.4%
Total	<u>\$ 360,535</u>	<u>100.0%</u>	<u>\$ 466,631</u>	<u>100.0%</u>

Results of Operations

The Association had net income of \$2,748,908 for the three months ended March 31, 2026, as compared to net income of \$2,797,562 for the same period in 2025, reflecting a decrease of 1.7 percent. Net interest income was \$5,446,404 for the three months ended March 31, 2026, compared to \$5,219,475 for the same period in 2025.

	Three Months Ended			
	March 31, 2026		March 31, 2025	
	Average Balance	Interest	Average Balance	Interest
Loans	\$ 766,935,634	\$ 12,055,651	\$ 697,369,411	\$ 11,100,307
Interest-bearing liabilities	649,220,774	6,609,247	579,950,224	5,880,832
Impact of capital	<u>\$ 117,714,860</u>		<u>\$ 117,419,187</u>	
Net interest income		<u>\$ 5,446,404</u>		<u>\$ 5,219,475</u>
	2026		2025	
	Average Yield		Average Yield	
Yield on loans	6.38%		6.46%	
Cost of interest-bearing liabilities	4.13%		4.11%	
Interest rate spread	2.25%		2.35%	
Net interest income as a percentage of average earning assets	2.88%		3.04%	

	Three Months Ended		
	March 31, 2026 vs. March 31, 2025		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	\$ 1,107,315	\$ (151,971)	\$ 955,344
Interest expense	702,415	26,000	728,415
Net interest income	<u>\$ 404,900</u>	<u>\$ (177,971)</u>	<u>\$ 226,929</u>

Interest income for the three months ended March 31, 2026, increased by \$955,344, or 8.6 percent, from the same period of 2025, primarily due to an increase in average loan volume slightly offset by declines in yields on earning assets. Interest expense for the

three months ended March 31, 2026, increased by \$728,415, or 12.4 percent, from the same period of 2025 due to increases in interest rates and average debt volume. Average loan volume for the first quarter of 2026 was \$766,935,634 compared to \$697,369,411 in the first quarter of 2025. The average net interest rate spread on the loan portfolio for the first quarter of 2026 was 2.25 percent, compared to 2.35 percent in the first quarter of 2025.

The Association’s return on average assets for the three months ended March 31, 2026, was 1.40 percent compared to 1.56 percent for the same period in 2025. The Association’s return on average equity for the three months ended March 31, 2026, was 8.23 percent compared to 8.56 percent for the same period in 2025.

Liquidity and Funding Sources

The Association secures the majority of its lendable funds from the Bank, which obtains its funds through the issuance of System-wide obligations and with lendable equity. The following schedule summarizes the Association’s borrowings.

	<u>March 31, 2026</u>	<u>December 31, 2025</u>
Note payable to the Bank	\$ 655,261,762	\$ 646,123,899
Accrued interest on note payable	2,273,854	2,240,901
Total	<u>\$ 657,535,616</u>	<u>\$ 648,364,800</u>

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2026. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of \$655,261,762 as of March 31, 2026, is recorded as a liability on the Association’s Consolidated Balance Sheets. The note carried a weighted average interest rate of 4.10 percent at March 31, 2026. The indebtedness is collateralized by a pledge of substantially all of the Association’s assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since December 31, 2025, 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 \$111,544,629 at March 31, 2026. The maximum amount the Association may borrow from the Bank as of March 31, 2026, was \$778,512,268 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, 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.

Capital Resources

The Association’s capital position increased by \$2,735,743 at March 31, 2026, compared to December 31, 2025. The Association’s debt as a percentage of members’ equity was 4.88:1 as of March 31, 2026, compared to 4.94:1 as of December 31, 2025.

Farm Credit Administration regulations require the Association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of March 31, 2026, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements

Refer to Note 1 – “Organization and Significant Accounting Policies” in this quarterly report for disclosures of recent accounting pronouncements which may impact the Association’s consolidated financial position and results of operations and for critical accounting policies.

Relationship With the Farm Credit Bank of Texas

The Association’s financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder’s investment in the Association. The Management’s Discussion and Analysis and Notes to Financial Statements contained in the 2025 Annual Report of Association more fully describe the Association’s relationship with the Bank.

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, or by calling (512)483-9204. The annual and quarterly stockholder reports for the Bank 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 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. The annual and quarterly stockholder reports for the Association are also available on its website at www.centraltexasfarmcredit.com. Copies of the Association’s quarterly stockholder reports can also be requested by e-mailing Keith.Prater@centraltexasfc.com.

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED BALANCE SHEETS

(unaudited)

	March 31, 2026	December 31, 2025
	(unaudited)	
<u>ASSETS</u>		
Cash	\$ 2,150	\$ 3,375
Loans	771,521,238	764,357,048
Less: allowance for credit losses on loans	<u>2,366,520</u>	<u>2,265,039</u>
Net loans	769,154,718	762,092,009
Accrued interest receivable	10,116,778	9,957,621
Investment in and receivable from the Farm		
Credit Bank of Texas:		
Capital stock	15,200,780	15,200,780
Other	646,743	1,358,420
Other property owned, net	62,738	62,738
Premises and equipment, net	6,005,184	6,013,632
Other assets	<u>671,680</u>	<u>286,495</u>
Total assets	<u><u>\$ 801,860,771</u></u>	<u><u>\$ 794,975,070</u></u>
<u>LIABILITIES</u>		
Note payable to the Farm Credit Bank of Texas	\$ 655,261,762	\$ 646,123,899
Accrued interest payable	2,273,854	2,240,901
Drafts outstanding	4,496	-
Dividends payable	3,195	8,000,000
Advance conditional payments	-	6,844
Other liabilities	<u>7,835,845</u>	<u>4,857,550</u>
Total liabilities	<u><u>665,379,152</u></u>	<u><u>661,229,194</u></u>
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	2,012,405	2,025,165
Unallocated retained earnings	134,264,601	131,515,693
Accumulated other comprehensive income	<u>204,613</u>	<u>205,018</u>
Total members' equity	<u>136,481,619</u>	<u>133,745,876</u>
Total liabilities and members' equity	<u><u>\$ 801,860,771</u></u>	<u><u>\$ 794,975,070</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended	
	March 31,	
	2026	2025
<u>INTEREST INCOME</u>		
Loans	\$ 12,055,651	\$ 11,100,307
<u>INTEREST EXPENSE</u>		
Note payable to the Farm Credit Bank of Texas	<u>6,609,247</u>	<u>5,880,832</u>
Net interest income	<u>5,446,404</u>	<u>5,219,475</u>
<u>PROVISION FOR CREDIT LOSSES</u>		
Net interest income after provision for credit losses on loans	<u>135,606</u>	<u>18,132</u>
	<u>5,310,798</u>	<u>5,201,343</u>
<u>NONINTEREST INCOME</u>		
Income from the Farm Credit Bank of Texas:		
Patronage income	275,918	419,461
Loan fees	71,809	54,521
Financially related services income	207	4,740
Other noninterest income	<u>348,900</u>	<u>140,333</u>
Total noninterest income	<u>696,834</u>	<u>619,055</u>
<u>NONINTEREST EXPENSES</u>		
Salaries and employee benefits	1,833,747	1,712,483
Directors' expense	34,609	65,458
Purchased services	226,165	196,661
Travel	79,955	68,735
Occupancy and equipment	393,336	273,769
Communications	26,491	30,910
Advertising	67,816	112,233
Public and member relations	87,829	97,073
Supervisory and exam expense	76,765	73,900
Insurance fund premiums	332,974	279,634
Loss on sale of premises and equipment, net	-	774
Other components of net periodic postretirement benefit cost	30,894	33,132
Other noninterest expense	<u>68,143</u>	<u>78,074</u>
Total noninterest expenses	<u>3,258,724</u>	<u>3,022,836</u>
NET INCOME	<u>2,748,908</u>	<u>2,797,562</u>
Other comprehensive income:		
Change in postretirement benefit plans	<u>(405)</u>	<u>-</u>
COMPREHENSIVE INCOME	<u>\$ 2,748,503</u>	<u>\$ 2,797,562</u>

The accompanying notes are an integral part of these consolidated financial statements.

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2024	\$ 2,003,475	\$ 129,202,524	\$ (28,451)	\$ 131,177,548
Comprehensive income	-	2,797,562	-	2,797,562
Capital stock/participation certificates issued	61,230	-	-	61,230
Capital stock/participation certificates retired	(61,575)	-	-	(61,575)
Patronage dividends:				
Cash	-	-	-	-
Balance at March 31, 2025	<u>\$ 2,003,130</u>	<u>\$ 132,000,086</u>	<u>\$ (28,451)</u>	<u>\$ 133,974,765</u>
Balance at December 31, 2025	\$ 2,025,165	\$ 131,515,693	\$ 205,018	\$ 133,745,876
Comprehensive income	-	2,748,908	(405)	2,748,503
Capital stock/participation certificates issued	69,585	-	-	69,585
Capital stock/participation certificates retired	(82,345)	-	-	(82,345)
Patronage dividends:				
Cash	-	-	-	-
Balance at March 31, 2026	<u>\$ 2,012,405</u>	<u>\$ 134,264,601</u>	<u>\$ 204,613</u>	<u>\$ 136,481,619</u>

The accompanying notes are an integral part of these consolidated financial statements.

CENTRAL TEXAS FARM CREDIT, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Central Texas Farm Credit, ACA (Agricultural Credit Association), referred to as 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. The Association serves the counties of Baylor, Brown, Callahan, Coke, Coleman, Comanche, Concho, Haskell, Irion, Jones, Knox, McCulloch, Menard, Mills, Reagans, Runnels, San Saba, Sterling, Stonewall, and Tom Green in the state of Texas. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S generally accepted accounting principles (GAAP) for interim financial information. Certain disclosures included in the annual financial statements have been condensed or omitted from these financial statements as they are not required for interim financial statements under GAAP and the rules of the Farm Credit Administration (FCA). This report should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2025, as contained in the 2025 Annual Report to Stockholders.

In the opinion of management, the accompanying unaudited consolidated financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods and conforms with GAAP, except for the inclusion of a statement of cash flows. GAAP requires a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2025, as contained in the 2025 Annual Report to Stockholders. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2026. Descriptions of the significant accounting policies are included in the 2025 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted or Issued Accounting Pronouncements

In December 2025, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-11 Interim Reporting (Topic 270): 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 ASU 2025-08 Financial Instruments - Credit Losses (Topic 326): 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 ASU 2025-06 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 (a) capitalization occurs when management has authorized and committed to funding, and (b) 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 ASU 2025-05 – Financial Instruments - Credit Losses - Measurement of Credit Losses for Accounts Receivable and Contract Assets. The amendments in this update provide all entities with a practical expedient, which allows 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 amendments also provide 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 Association adopted this guidance on January 1, 2026, under a prospective approach. The impact of adoption did not have an impact on the Association’s financial condition, results of operations or cash flows.

In December 2023, the FASB issued ASU 2023-09 – 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. Effective January 1, 2025, the Association adopted this guidance. The adoption of this guidance did not have a material impact on the Association’s financial condition, results of operations or cash flows but did impact the income tax disclosures.

NOTE 2 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

A summary of loans by type follows:

<u>Loan Type</u>	<u>March 31, 2026</u>	<u>December 31, 2025</u>
Production agriculture:		
Real estate mortgage	\$ 502,249,052	\$ 509,112,054
Production and intermediate-term	135,400,069	129,837,159
Agribusiness:		
Processing and marketing	66,031,429	68,680,401
Farm-related business	28,707,035	21,079,188
Loans to cooperatives	5,415,857	3,009,832
Communication	15,459,459	14,843,760
International	7,232,600	7,232,432
Energy	6,742,779	6,846,927
Water and waste-water	2,461,319	2,299,233
Rural residential real estate	1,821,639	1,416,062
Total	\$ 771,521,238	\$ 764,357,048

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 2026:

	<u>Other Farm Credit Institutions</u>		<u>Non-Farm Credit Institutions</u>		<u>Total</u>	
	<u>Participations Purchased</u>	<u>Participations Sold</u>	<u>Participations Purchased</u>	<u>Participations Sold</u>	<u>Participations Purchased</u>	<u>Participations Sold</u>
Agribusiness	\$ 63,987,763	\$ 7,897,542	\$ -	\$ -	\$ 63,987,763	\$ 7,897,542
Real estate mortgage	57,248,868	23,634,270	-	-	57,248,868	23,634,270
Production and intermediate-term	39,069,984	18,846,652	-	-	39,069,984	18,846,652
Communication	15,459,459	-	-	-	15,459,459	-
International	7,232,600	-	-	-	7,232,600	-
Energy	6,742,779	-	-	-	6,742,779	-
Water and waste-water	2,461,319	-	-	-	2,461,319	-
Total	\$ 192,202,772	\$ 50,378,464	\$ -	\$ -	\$ 192,202,772	\$ 50,378,464

The Association is authorized under the Farm Credit Act to accept “advance conditional payments” (ACPs) from borrowers. To the extent the borrower’s access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower’s related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were \$0 and \$6,844 at March 31, 2026, and December 31, 2025, respectively.

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 its board of directors, which provides direction to its 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, institutions that make 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 percent of the original appraised value of the property taken as security or up to 97 percent 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 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 the amortized cost of loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of March 31, 2026, and December 31, 2025:

	<u>March 31, 2026</u>	<u>December 31, 2025</u>
Real estate mortgage		
Acceptable	99.0 %	98.9 %
OAEM	0.8	0.9
Substandard/doubtful	0.2	0.2
	<u>100.0</u>	<u>100.0</u>
Production and intermediate-term		
Acceptable	96.8	96.3
OAEM	3.2	3.6
Substandard/doubtful	-	0.1
	<u>100.0</u>	<u>100.0</u>
Agribusiness		
Acceptable	85.8	88.1
OAEM	3.1	-
Substandard/doubtful	11.1	11.9
	<u>100.0</u>	<u>100.0</u>
Communication		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
International		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Energy		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Water and waste-water		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Rural residential real estate		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Total loans		
Acceptable	96.9	97.2
OAEM	1.5	1.2
Substandard/doubtful	1.6	1.6
	<u>100.0 %</u>	<u>100.0 %</u>

Accrued interest receivable on loans of \$10,116,778 and \$9,957,621 at March 31, 2026, and December 31, 2025, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

The following table reflects nonperforming assets, which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned and related credit quality statistics:

	March 31, 2026	December 31, 2025
Nonaccrual loans:		
Real estate mortgage	\$ 260,177	\$ 260,177
Production and intermediate-term	37,620	143,716
Total nonaccrual loans	<u>\$ 297,797</u>	<u>\$ 403,893</u>
Other property owned	<u>62,738</u>	<u>62,738</u>
Total nonperforming assets	<u><u>\$ 360,535</u></u>	<u><u>\$ 466,631</u></u>
Nonaccrual loans as a percentage of total loans	0.04%	0.05%
Nonperforming assets as a percentage of total loans and other property owned	0.05%	0.06%
Nonperforming assets as a percentage of capital	0.26%	0.35%

Note: 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 noncontrolling interest in PW PropCo Holdings, LLC which currently holds the OPO identified in the table above. No acquired assets are currently held in Central Texas Holding, LLC.

The following tables provide 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 period:

	March 31, 2026			For the Three Months Ended March 31, 2026
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	\$ -	\$ 260,177	\$ 260,177	\$ -
Production and intermediate-term	-	37,620	37,620	-
Total nonaccrual loans	<u>\$ -</u>	<u>\$ 297,797</u>	<u>\$ 297,797</u>	<u>\$ -</u>

	December 31, 2025			For the Three Months Ended March 31, 2025
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	\$ -	\$ 260,177	\$ 260,177	\$ -
Production and intermediate-term	106,096	37,620	143,716	-
Total nonaccrual loans	<u>\$ 106,096</u>	<u>\$ 297,797</u>	<u>\$ 403,893</u>	<u>\$ -</u>

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

	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 Past Due and Accruing
March 31, 2026						
Real estate mortgage	\$ 1,316,794	\$ 260,177	\$ 1,576,971	\$ 500,672,081	\$ 502,249,052	\$ -
Production and intermediate-term	183,066	37,620	220,686	135,179,383	135,400,069	-
Processing and marketing	-	-	-	66,031,429	66,031,429	-
Farm-related business	-	-	-	28,707,035	28,707,035	-
Loans to cooperatives	-	-	-	5,415,857	5,415,857	-
Communication	-	-	-	15,459,459	15,459,459	-
International	-	-	-	7,232,600	7,232,600	-
Energy	-	-	-	6,742,779	6,742,779	-
Water and waste-water	-	-	-	2,461,319	2,461,319	-
Rural residential real estate	127,149	-	127,149	1,694,490	1,821,639	-
Total	<u>\$ 1,627,009</u>	<u>\$ 297,797</u>	<u>\$ 1,924,806</u>	<u>\$ 769,596,432</u>	<u>\$ 771,521,238</u>	<u>\$ -</u>

	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 Past Due and Accruing
December 31, 2025						
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	\$ -

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 real estate mortgage and rural residential real estate loans.

Loan Modifications to Borrowers Experiencing Financial Difficulties

As of March 31, 2026, and December 31, 2025, the Association had no modified loans to borrowers experiencing financial difficulties.

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 percent of the Association's lending and leasing limit base, but the Association's boards of directors have generally established more restrictive lending limits.

A summary of changes in the allowance for credit losses by portfolio segment for the three months ended March 31, 2026, 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, 2025	\$ 631,046	\$ 267,582	\$ 1,328,898	\$ 29,454	\$ 2,591	\$ 2,579	\$ 1,320	\$ 1,569	\$ 2,265,039
Charge-offs	-	(44,787)	-	-	-	-	-	-	(44,787)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (credit loss reversal)	54,112	40,000	54,739	(1,974)	(282)	10	(326)	(11)	146,268
Balance at March 31, 2026	\$ 685,158	\$ 262,795	\$ 1,383,637	\$ 27,480	\$ 2,309	\$ 2,589	\$ 994	\$ 1,558	\$ 2,366,520
Allowance for credit losses on unfunded commitments:									
Balance at December 31, 2025	\$ 2,924	\$ 46,416	\$ 56,814	\$ 3,855	\$ 1,155	\$ -	\$ 166	\$ -	\$ 111,330
Provision for unfunded commitments	4	(8,399)	(4,526)	1,841	(90)	-	508	-	(10,662)
Balance at March 31, 2026	\$ 2,928	\$ 38,017	\$ 52,288	\$ 5,696	\$ 1,065	\$ -	\$ 674	\$ -	\$ 100,668

	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	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (credit loss reversal)	(19,646)	53,199	(1,726)	658	(240)	(508)	(746)	718	31,709
Balance at March 31, 2025	\$ 809,810	\$ 363,541	\$ 262,606	\$ 19,696	\$ 1,759	\$ 3,036	\$ 4,032	\$ 1,494	\$ 1,465,974
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 unfunded commitments	(1,526)	1,638	(13,110)	(224)	870	-	(134)	(1,091)	(13,577)
Balance at March 31, 2025	\$ 796	\$ 42,394	\$ 24,077	\$ 1,921	\$ 870	\$ -	\$ 297	\$ -	\$ 70,355

Discussion of Changes in Allowance for Credit Losses

The allowance for credit losses increased \$90,819 to \$2,467,188 at March 31, 2026, as compared to \$2,376,369 at December 31, 2025. This is largely due to growth in the portfolio.

NOTE 3 —LEASES:

The components of lease expense were as follows:

Classification	For the Three Months Ended	
	March 31, 2026	March 31, 2025
Operating lease cost	\$ 4,000	\$ 6,090
Net lease cost	\$ 4,000	\$ 6,090

Other information related to leases was as follows:

	For the Three Months Ended	
	March 31, 2026	March 31, 2025
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 4,000	\$ 6,090

Lease term and discount rate are as follows:

	March 31, 2026	December 31, 2025
Weighted average remaining lease term in years		
Operating leases	1.08	1.33
Weighted average discount rate	4.10%	4.24%

Future minimum lease payments under non-cancellable leases as of March 31, 2026, were as follows:

	Total
2026	12,333
2027	5,500
2028	-
2029	-
2030	-
Thereafter	-
Total	\$ 17,833

NOTE 4 — CAPITAL:

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are 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 may 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, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for 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 and 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.

	March 31, 2026	December 31, 2025
Capital stock and participation certificates	\$ 2,012,405	\$ 2,025,165
Accumulated other comprehensive income	204,613	205,018
Unallocated retained earnings	134,264,601	131,515,693
Total Capital	\$ 136,481,619	\$ 133,745,876

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums wih Buffer	As of March 31, 2026
Common equity tier 1 ratio	7.00%	14.73%
Tier 1 capital ratio	8.50%	14.73%
Total capital ratio	10.50%	15.02%
Permanent capital ratio	7.00%	14.77%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	15.32%
UREE leverage ratio	1.50%	15.06%

The details for the amounts used in the calculation of the regulatory capital ratios as of March 31, 2026:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	\$ 133,015,803	\$ 133,015,803	\$ 133,015,803	\$ 133,015,803
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,017,989	2,017,989	2,017,989	2,017,989
Allowance for credit losses on loans and reserve for credit losses subject to certain limitations	-	-	2,376,878	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(15,200,780)	(15,200,780)	(15,200,780)	(15,200,780)
	<u>\$ 119,833,012</u>	<u>\$ 119,833,012</u>	<u>\$ 122,209,890</u>	<u>\$ 119,833,012</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$ 828,848,994	\$ 828,848,994	\$ 828,848,994	\$ 828,848,994
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(15,200,780)	(15,200,780)	(15,200,780)	(15,200,780)
Allowance for credit losses on loans	-	-	-	(2,265,667)
	<u>\$ 813,648,214</u>	<u>\$ 813,648,214</u>	<u>\$ 813,648,214</u>	<u>\$ 811,382,547</u>

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	\$ 133,015,803	\$ 133,015,803
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	2,017,989	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(15,200,780)	(15,200,780)
	<u>\$ 119,833,012</u>	<u>\$ 117,815,023</u>
Denominator:		
Total Assets	\$ 799,142,760	\$ 799,142,760
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(16,990,570)	(16,990,570)
	<u>\$ 782,152,190</u>	<u>\$ 782,152,190</u>

The following tables present the activity in the accumulated other comprehensive income (loss), net of tax by component:

	Accumulated other comprehensive income (loss)
Balance at December 31, 2025	\$ 205,018
Other comprehensive loss before reclassifications	(405)
Net current period other comprehensive income (loss)	(405)
Balance at March 31, 2026	\$ 204,613
	Accumulated other comprehensive income (loss)
Balance at December 31, 2024	\$ (28,451)
Other comprehensive loss before reclassifications	-
Net current period other comprehensive income (loss)	-
Balance at March 31, 2025	\$ (28,451)

The Association's accumulated other comprehensive income (loss) relates entirely to its non-pension other postretirement benefits. Amortization of prior service cost and of actuarial loss are reflected in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income (loss) for the three months ended March 31:

	<u>2026</u>	<u>2025</u>
Accumulated other comprehensive income (loss) at January 1	\$ 205,018	\$ (28,451)
Actuarial gains	<u>(405)</u>	<u>-</u>
Other comprehensive income (loss), net of tax	<u>(405)</u>	<u>-</u>
Accumulated other comprehensive income (loss) at March 31	<u>\$ 204,613</u>	<u>\$ (28,451)</u>

NOTE 5 — INCOME TAXES:

Central Texas Farm Credit, ACA conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. Central Texas Farm Credit, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Central Texas Farm Credit, ACA can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock, or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the Association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

NOTE 6 — 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 the principal or most advantageous market for the asset or liability. See Note 14 in the 2025 Annual Report to Stockholders for a more complete description.

No assets or liabilities were measured at fair value on a recurring basis as of March 31, 2026, and December 31, 2025. Assets and liabilities measured at fair value on a nonrecurring basis are summarized below:

March 31, 2026	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Loans*	\$ -	\$ -	\$ -	\$ -
Other property owned	-	-	62,738	62,738
 December 31, 2025				
	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Loans*	\$ -	\$ -	\$ 74,707	\$ 74,707
Other property owned	-	-	62,738	62,738

*Represents the fair value of certain loans that were evaluated for impairment under the authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

With regard to 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. The System associations utilize appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 14 to the 2025 Annual Report to Stockholders, authoritative 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. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see the 2025 Annual Report to Stockholders.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB 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 the other property owned involves the use of independent appraisals and other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Loans

Fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Association's current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs for other postretirement benefit costs for the three months ended March 31:

Three months ended March 31:	Other Benefits	
	2026	2025
Service cost	\$ 4,356	\$ 5,124
Interest cost	26,943	28,008
Amortization of net actuarial gain	(405)	-
Net periodic benefit cost	<u>\$ 30,894</u>	<u>\$ 33,132</u>

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2026, was \$1,983,929 and is included in "other liabilities" on the Consolidated Balance Sheets.

The components of net periodic benefit cost other than the service cost component are included in the line item "other components of net periodic postretirement benefit cost" in the Consolidated Statements of Comprehensive Income.

The structure of the District's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association previously disclosed in its financial statements for the year ended December 31, 2025, that it expected to contribute \$81,505 to the District's defined benefit pension plan in 2026. As of March 31, 2026, \$30,894 contributions have been made. The Association presently anticipates contributing an additional \$92,683 to fund the defined benefit pension plan in 2026 for a total of \$123,577.

NOTE 8 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal 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.

NOTE 9 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through May 8, 2026, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of May 8, 2026.