SOUTHERN AGCREDIT

Financial Solutions for Agriculture

Stockholders' Quarterly Financial Report

For the Quarter Ended June 30, 2026

REPORT OF MANAGEMENT

The consolidated financial statements of Southern AgCredit, 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 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.

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.

/s/ Ken D. Hobart
Ken D. Hobart
Chief Executive Officer
August 7, 2026

/s/ Bryan "Scott" Bell
Bryan "Scott" Bell
Chairman, Board of Directors
August 7, 2026

/s/ Britny B. Hester, CPA
Britny B. Hester, CPA
Chief Financial Officer
August 7, 2026

SOUTHERN AGCREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of Southern AgCredit, ACA (Agricultural Credit Association), referred to as the association, for the quarter ended June 30, 2026. These comments should be read in conjunction with the accompanying 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:

In December 2025, the association's board of directors declared patronage in the amount of $22,176,500 to stockholders, including $11,685,466 to be paid in cash, and $10,491,034 in the form of non-qualified allocated equities on behalf of the individual stockholders and retained indefinitely by the association. Non-qualified allocated equities are not taxable to the stockholder. The cash patronage was disbursed to the association stockholders in March 2026.

The association continues to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the association while offering competitive loan products that meet the financial needs of agricultural producers.

Loan Portfolio:

Total loans outstanding at June 30, 2026, including nonaccrual loans and sales contracts, were $1,870,346,296 compared to $1,808,912,937 at December 31, 2025, reflecting an increase of 3.40 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.23 percent at June 30, 2026, compared to 0.31 percent at December 31, 2025.

The association recorded no recoveries or charge-offs for the three and six months ended June 30, 2026, and for the same period in 2025. The association's allowance for loan losses was 0.24 percent and 0.21 percent of total loans outstanding as of June 30, 2026, and December 31, 2025, respectively.

Agribusiness Loan Program

The association utilizes the Mississippi Development Authority's Agribusiness Enterprise Loan Program (ABE) to lower the cost of financing for its borrowers. The ABE loan program is designed to provide a percentage of low-cost state financing that is combined with private financial lending institutions' loan proceeds to encourage loans to the agribusiness industry in the state.

The association guarantees payment of the borrower's ABE loan to the Mississippi Development Authority (MDA) and, therefore, the amount of ABE loans outstanding and due to MDA is included in "Loans" on the consolidated balance sheet with an offsetting liability at "Guaranteed obligations to government entities." ABE loans totaled $13,303,274 and $12,780,343 as of June 30, 2026 and December 31, 2025, respectively.

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. The following table illustrates the association's components and trends of high-risk assets.

	June 30, 2026		December 31, 2025	
	Amount	**%**	**Amount**	**%**
Nonaccrual	**$ 4,387,566**	**100.0%**	$ 5,544,591	99.4%
Other property owned, net	**-**	**0.0%**	33,746	0.6%
Total	**$ 4,387,566**	**100.0%**	$ 5,578,337	100.0%

The balance of nonaccrual volume as of June 30, 2026 is primarily secured by real estate with a total specific allowance of $20,595 related to loans to two separate borrowers. The decrease in nonaccrual volume since the prior year end is primarily due to the paydown of a large participation loan.

Investments:

During 2010, the association exchanged $35,192,440 of mortgage loans that previously were covered under a long-term standby commitment to purchase agreement with Federal Agricultural Mortgage Corporation (Farmer Mac) for a Farmer Mac guaranteed agricultural mortgage-backed security. No gain or loss was recognized in the financial statements upon completion of the exchange transaction. The association continues to service the loans included in this transaction. These AMBS are included in the association's Consolidated Balance Sheet as held-to-maturity investments at an amortized cost balance of $627,241 at June 30, 2026.

Results of Operations:

The association had net income of $6,049,590 and $13,212,946 for the three and six months ended June 30, 2026, as compared to net income of $6,351,727 and $12,559,067 for the same periods in 2025, reflecting a decrease of 4.76 percent and an increase of 5.21 percent for the respective periods. Net interest income was $11,023,969 and $21,846,339 for the three and six months ended June 30, 2026, compared to $9,930,336 and $19,818,463 for the same period in 2025.

	Six Months Ended			
	June 30, 2026		June 30, 2025	
	Average Balance	Interest	Average Balance	Interest
Loans	**$ 1,837,926,587**	**$ 56,552,976**	$ 1,615,486,378	$ 48,999,137
Investments	**670,336**	**25,645**	763,036	23,738
Total interest-earning assets	**1,838,596,923**	**56,578,621**	1,616,249,414	49,022,875
Interest-bearing liabilities	**1,644,407,309**	**34,732,282**	1,426,079,239	29,204,412
Impact of capital	**$ 194,189,614**		$ 190,170,175	
Net interest income		**$ 21,846,339**		$ 19,818,463

	2026 Average Yield	2025 Average Yield
Yield on loans	**6.20%**	6.12%
Yield on investments	**7.71%**	6.27%
Total yield on interest-earning assets	**6.21%**	6.12%
Cost of interest-bearing liabilities	**4.26%**	4.13%
Interest rate spread	**1.95%**	1.99%
Net interest income as a percentage of average earning assets	**2.40%**	2.47%

	Months Ended June 30, 2026 vs. June 30, 2025		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	**$ 6,746,754**	**$ 807,085**	**$ 7,553,839**
Interest income - investments	**(2,884)**	**4,791**	**1,907**
Total interest income	**6,743,870**	**811,876**	**7,555,746**
Interest expense	**4,471,094**	**1,056,776**	**5,527,870**
Net interest income	**$ 2,272,776**	**$ (244,900)**	**$ 2,027,876**

Interest income for the three and six months ended June 30, 2026, increased by $3,351,780 and $7,555,746, or 14.03 percent and 15.41 percent, from the same periods of 2025, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the three and six months ended June 30, 2026, increased by $2,438,147 and $5,527,870, or 16.00 percent and 18.93 percent, from the same periods of 2025 due to an increase in cost of funds and an increase in average debt volume. Average loan volume for the second quarter of 2026 was $1,837,926,587, compared to $1,615,486,378 for the second quarter of 2025. The average net interest rate spread on the loan portfolio for the second quarter of 2026 was 1.95 percent, compared to 1.99 percent in the second quarter of 2025.

The association's return on average assets for the six months ended June 30, 2026, was 1.39 percent compared to 1.50 percent for the same period in 2025. The association's return on average equity for the six months ended June 30, 2026, was 10.84 percent, compared to 10.87 percent for the same period in 2025.

Liquidity and Funding Sources:

The association secures the majority of its lendable funds from the Farm Credit Bank of Texas (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.

		June 30, 2026		December 31, 2025
Note payable to the Bank	$	1,676,272,803	$	1,614,067,836
Accrued interest on note payable		5,940,186		5,703,692
Total	**$**	**1,682,212,989**	$	1,619,771,528

The association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2026. The association and the Bank are engaged in discussions regarding renewal of the GFA. Any renewal remains subject to the approval of the parties and applicable requirements. Management does not believe the scheduled expiration of the current GFA will have a material adverse effect on the association's operations or access to funding through the term of the existing agreement. The primary source of liquidity and funding for the association is a direct loan from the Bank. The outstanding balance of $1,676,272,803 as of June 30, 2026, is recorded as a liability on the association's balance sheet. The note carried a weighted average interest rate of 4.31 percent at June 30, 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 borrowing needs from the association. The association's own funds, which represent the amount of the association's loan portfolio funded by the association's equity, were $174,521,454 at June 30, 2026. The maximum amount the association may borrow from the Bank as of June 30, 2026, was $1,873,611,933 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 $13,297,062 at June 30, 2026, compared to December 31, 2025. The association's debt as a percentage of members' equity was 6.76:1 as of June 30, 2026, compared to 6.93:1 as of December 31, 2025.

Farm Credit Administration regulations require the association to maintain minimums for various regulatory capital ratios. As of June 30, 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 can be found at the Bank's 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 association, 306 Commerce Center Drive, Ridgeland, MS 39157 or calling (601) 499-2820. The annual and quarterly stockholder reports for the association are also available on its website at *www.southernagcredit.com.* Copies of the association's quarterly stockholder reports can also be requested by e-mailing *dlsouthernagcreditadmin@farmcreditbank.com..*

SOUTHERN AGCREDIT, ACA

CONSOLIDATED BALANCE SHEETS

	June 30, 2026 (unaudited)	December 31, 2025
ASSETS		
Cash	$ 8,607	$ 12,938
Investments	627,241	693,081
Loans	1,870,346,296	1,808,912,937
Less: allowance for credit losses on loans	4,439,865	3,815,927
Net loans	1,865,906,431	1,805,097,010
Accrued interest receivable		
Loans	20,541,371	20,810,924
Investments	6,021	18,991
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	40,782,000	37,390,810
Other	3,927,944	5,276,432
Other property owned, net	-	33,746
Premises and equipment, net	20,556,155	20,792,679
Other assets	1,730,597	1,161,537
Total assets	$ 1,954,086,367	$ 1,891,288,148
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	$ 1,676,272,803	$ 1,614,067,836
Guaranteed obligations to government entities	13,303,274	12,780,343
Advance conditional payments	104,731	149,655
Accrued interest payable	5,940,186	5,703,692
Drafts outstanding	652,285	232,379
Dividends payable	-	11,685,466
Other liabilities	5,883,130	8,035,881
Total liabilities	1,702,156,409	1,652,655,252
MEMBERS' EQUITY		
Capital stock and participation certificates	6,201,160	6,098,870
Additional paid-in capital	10,238,891	10,238,891
Unallocated retained earnings	234,987,182	221,774,236
Accumulated other comprehensive income	502,725	520,899
Total members' equity	251,929,958	238,632,896
Total liabilities and members' equity	$ 1,954,086,367	$ 1,891,288,148

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

SOUTHERN AGCREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	**2026**	2025
INTEREST INCOME				
Loans	**$ 28,684,203**	$ 25,153,509	**$ 56,552,976**	$ 48,999,137
Investments	**12,625**	11,539	**25,645**	23,738
Total interest income	**28,696,828**	25,165,048	**56,578,621**	49,022,875
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**17,671,789**	15,234,711	**34,731,206**	29,204,252
Advance conditional payments	**1,070**	1	**1,076**	160
Total interest expense	**17,672,859**	15,234,712	**34,732,282**	29,204,412
Net interest income	**11,023,969**	9,930,336	**21,846,339**	19,818,463
PROVISION FOR LOAN LOSSES	**510,003**	551,861	**610,123**	575,920
Net interest income after provision for credit losses on loans	**10,513,966**	9,378,475	**21,236,216**	19,242,543
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**996,600**	1,305,585	**1,993,200**	2,608,407
Loan fees	**119,567**	79,653	**229,196**	281,577
Financially related services income	**1,336**	-	**36,267**	8,407
Gain (loss) on other property owned, net	**20,333**	-	**20,333**	-
Gain (loss) on sale of premises and equipment, net	**38,403**	1,399	**55,344**	(499)
Other noninterest income	**5,588**	468	**853,848**	309,094
Total noninterest income	**1,181,827**	1,387,105	**3,188,188**	3,206,986
NONINTEREST EXPENSES				
Salaries and employee benefits	**2,731,855**	2,081,549	**5,360,269**	5,004,055
Occupancy and equipment	**490,829**	485,144	**1,129,931**	1,069,644
Insurance fund premiums	**376,962**	332,166	**742,598**	642,861
Other components of net periodic postretirement benefit cost	**35,885**	43,098	**71,770**	86,196
Other noninterest expense	**2,010,672**	1,471,896	**3,906,890**	3,087,706
Total noninterest expenses	**5,646,203**	4,413,853	**11,211,458**	9,890,462
Income before income taxes	**6,049,590**	6,351,727	**13,212,946**	12,559,067
NET INCOME	**6,049,590**	6,351,727	**13,212,946**	12,559,067
Other comprehensive income:				
Change in postretirement benefit plans	**(9,087)**	(3,375)	**(18,174)**	(6,750)
Other comprehensive income, net of tax	**(9,087)**	(3,375)	**(18,174)**	(6,750)
COMPREHENSIVE INCOME	**$ 6,040,503**	$ 6,348,352	**$ 13,194,772**	$ 12,552,317

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

SOUTHERN AGCREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

		Capital Stock/ Participation Certificates		Additional Paid-in-Capital		Retained Earnings Unallocated		Accumulated Other Comprehensive Income (Loss)		Total Members' Equity
Balance at December 31, 2024	$	5,740,520	$	10,238,891	$	210,222,584	$	259,315	$	226,461,310
Comprehensive income						12,559,067		(6,750)		12,552,317
Capital stock/participation certificates and allocated retained earnings issued		608,115								608,115
Capital stock/participation certificates and allocated retained earnings retired		(395,210)								(395,210)
Balance at June 30, 2025	$	5,953,425	$	10,238,891	$	222,781,651	$	252,565	$	239,226,532
Balance at December 31, 2025	**$**	**6,098,870**	**$**	**10,238,891**	**$**	**221,774,236**	**$**	**520,899**	**$**	**238,632,896**
Comprehensive income						**13,212,946**		**(18,174)**		**13,194,772**
Capital stock/participation certificates and allocated retained earnings issued		**575,775**								**575,775**
Capital stock/participation certificates		**(473,485)**								**(473,485)**
Balance at June 30, 2026	**$**	**6,201,160**	**$**	**10,238,891**	**$**	**234,987,182**	**$**	**502,725**	**$**	**251,929,958**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Southern AgCredit, ACA, including its wholly-owned subsidiaries, Southern AgCredit, PCA and Southern AgCredit, FLCA, collectively referred to as the association, is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Adams, Amite, Carroll, Claiborne, Clarke, Copiah, Covington, Forrest, Franklin, George, Greene, Grenada, Hancock, Harrison, Hinds, Holmes, Humphreys, Issaquena, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lamar, Lauderdale, Lawrence, Leake, Leflore, Lincoln, Madison, Marion, Montgomery, Neshoba, Newton, Pearl River, Perry, Pike, Rankin, Scott, Sharkey, Simpson, Smith, Stone, Walthall, Warren, Washington, Wayne, Wilkinson and Yazoo in the state of Mississippi, as well as the parishes of Bienville, Bossier, Caddo, Claiborne, DeSoto, Jackson, Lincoln, Ouachita (west of Ouachita River), Red River, Union and Webster in the state of Louisiana. In addition, the association is the single owner of Parkway Place Investments, LLC and SAC Wawona Investments, LLC, which were organized for the purpose of holding and managing foreclosed property for which the assets, liabilities and results of operation have been consolidated in the association's financial statements. 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 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 unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. 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 that have material impact on the entity since the end of the last annual reporting period. This 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 evaluating the potential impact of adoption 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. This update 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. This update is effective for annual periods beginning after December 15, 2026, including interim periods within those years. Early adoption is permitted. The Association is currently evaluating the potential impact of adoption 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. This update 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. This update 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 evaluating the potential impact of adoption 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 would allow all entities when developing reasonable and supportable forecasts as part of estimating credit losses to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The update also provides entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under revenue recognition guidance. The association adopted this guidance effective January 1, 2026 and elected to apply the practical expedient, as applicable. The adoption of this update did not have a material impact on the associations 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 — INVESTMENTS:

The association may hold mission-related and other investments. The Farm Credit Administration approves mission-related programs and other mission-related investments. In January 2010, $35,192,440 of agricultural mortgage loans previously covered under a Long-Term Standby Commitment to Purchase agreement with the Federal Agricultural Mortgage Corporation (Farmer Mac) were securitized. No gain or loss was recognized in the financial statements upon completion of the securitization. Terms of the agreement call for a guarantee fee of 20-50 basis points to be paid to Farmer Mac, and for the association to receive a 30-basis-point fee for servicing the underlying loans.

The following is a summary of Farmer Mac agricultural mortgage-backed securities:

June 30, 2026				
Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
$ 627,241	**$ 9,825**	**$ -**	**$ 637,066**	**7.72%**

December 31, 2025				
Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
$ 693,081	$ 13,955	$ -	$ 707,036	7.52%

NOTE 3 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

A summary of loans by type follows:

Loan Type	June 30, 2026 Amount	December 31, 2025 Amount
Production agriculture:		
Real estate mortgage	**$ 1,540,231,798**	$ 1,470,153,069
Production and intermediate-term	**191,678,263**	200,874,715
Agribusiness:		
Processing and marketing	**59,987,104**	58,625,103
Farm-related business	**4,353,994**	4,607,361
Loans to cooperatives	**2,918,949**	3,217,811
Communication	**27,982,456**	27,478,954
Energy	**17,790,260**	18,098,068
Agricultural export finance	**16,773,701**	16,772,472
Rural residential real estate	**5,381,119**	4,580,940
Water and waste-water	**3,248,652**	4,504,444
Total	**$ 1,870,346,296**	$ 1,808,912,937

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 June 30, 2026:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 41,694,213	$ 2,982,303	$ 9,288	$ 1,274,418	$ 41,703,501	$ 4,256,721
Production and intermediate-term	36,668,173	126,754,682			36,668,173	126,754,682
Agribusiness	67,208,161				67,208,161	-
Communication	27,982,456				27,982,456	-
Energy	17,790,260				17,790,260	-
Water and waste-water	3,248,652				3,248,652	-
Agricultural export finance	16,773,701				16,773,701	-
Total	$ 211,365,616	$ 129,736,985	$ 9,288	$ 1,274,418	$ 211,374,904	$ 131,011,403

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 $104,731 and $149,655 at June 30, 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 our 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 June 30, 2026 and December 31, 2025:

	June 30, 2026		December 31, 2025	
Real estate mortgage				
Acceptable	**99.25**	%	99.13	%
OAEM	**0.31**		0.32	
Substandard/doubtful	**0.44**		0.55	
	100.00		100.00	
Production and intermediate term				
Acceptable	**99.45**		99.44	
OAEM	**0.07**		0.10	
Substandard/doubtful	**0.48**		0.46	
	100.00		100.00	
Processing and marketing				
Acceptable	**100.00**		100.00	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.00		100.00	
Farm-related business				
Acceptable	**100.00**		100.00	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.00		100.00	
Loans to cooperatives				
Acceptable	**100.00**		100.00	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.00		100.00	
Communication				
Acceptable	**66.35**		98.12	
OAEM	**33.65**		1.88	
Substandard/doubtful	**-**		-	
	100.00		100.00	
Energy				
Acceptable	**100.00**		100.00	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.00		100.00	
Agricultural export finance				
Acceptable	**100.00**		100.00	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.00		100.00	
Rural residential real estate				
Acceptable	**100.00**		100.00	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.00		100.00	
Water and waste-water				
Acceptable	**100.00**		100.00	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.00		100.00	
Total Loans				
Acceptable	**98.92**		99.20	
OAEM	**0.77**		0.30	
Substandard/doubtful	**0.41**		0.50	
	100.00	%	100.00	%

Accrued interest receivable on loans of $20,541,371 and $20,810,924 at June 30, 2026 and December 31, 2025 has been excluded from the amortized cost of loans and reported separately in the Balance Sheet. The association wrote off accrued interest receivable against interest income of $0 during the three and six months ended June 30, 2026 and 2025.

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:

	June 30, 2026	December 31, 2025
Nonaccrual loans:		
Real estate mortgage	$ 4,312,705	$ 5,464,394
Production and intermediate-term	74,861	80,197
Total nonaccrual loans	$ 4,387,566	$ 5,544,591
Other property owned	-	33,746
Total nonperforming assets	$ 4,387,566	$ 5,578,337
Nonaccrual loans as a percentage of total loans	0.23%	0.31%
Nonperforming assets as a percentage of total loans and other property owned	0.23%	0.31%
Nonperforming assets as a percentage of capital	1.74%	2.34%

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for loan losses, as well as interest income recognized on nonaccrual during the period:

	June 30, 2026			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended June 30, 2026	For the Six Months Ended June 30, 2026
Nonaccrual loans:					
Real estate mortgage	$ -	$ 4,312,705	$ 4,312,705	$ -	$ 48,498
Production and intermediate-term	74,861	-	74,861	-	-
Total nonaccrual loans	$ 74,861	$ 4,312,705	$ 4,387,566	$ -	$ 48,498

	December 31, 2025			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended June 30, 2025	For the Six Months Ended June 30, 2025
Nonaccrual loans:					
Real estate mortgage	$ 1,241,096	$ 4,223,298	$ 5,464,394	$ 15,965	$ 22,375
Production and intermediate-term	80,197	-	80,197	8,748	8,748
Total nonaccrual loans	$ 1,321,293	$ 4,223,298	$ 5,544,591	$ 24,713	$ 31,123

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

June 30, 2026	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	$ 13,532,339	$ -	$ 13,532,339	$ 1,526,699,459	$ 1,540,231,798
Production and intermediate term	53,136	50,713	103,849	191,574,414	191,678,263
Loans to cooperatives	-	-	-	2,918,949	2,918,949
Processing and marketing	-	-	-	59,987,104	59,987,104
Farm-related business	-	-	-	4,353,994	4,353,994
Communication	-	-	-	27,982,456	27,982,456
Energy	-	-	-	17,790,260	17,790,260
Water and waste-water	-	-	-	3,248,652	3,248,652
Rural residential real estate	-	-	-	5,381,119	5,381,119
Agricultural export finance	-	-	-	16,773,701	16,773,701
Total	$ 13,585,475	$ 50,713	$ 13,636,188	$ 1,856,710,108	$ 1,870,346,296

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
Real estate mortgage	$ 2,939,195	$ 1,241,096	$ 4,180,291	$ 1,465,972,778	$ 1,470,153,069
Production and intermediate term	-	56,049	56,049	200,818,666	200,874,715
Loans to cooperatives	-	-	-	3,217,811	3,217,811
Processing and marketing	-	-	-	58,625,103	58,625,103
Farm-related business	-	-	-	4,607,361	4,607,361
Communication	-	-	-	27,478,954	27,478,954
Energy	-	-	-	18,098,068	18,098,068
Water and waste-water	-	-	-	4,504,444	4,504,444
Rural residential real estate	-	-	-	4,580,940	4,580,940
Agricultural export finance	-	-	-	16,772,472	16,772,472
Total	$ 2,939,195	$ 1,297,145	$ 4,236,340	$ 1,804,676,597	$ 1,808,912,937

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.

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 and six months ended June 30, 2025 are as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communications
Allowance for credit losses on loans:				
Balance at December 31, 2025	**$ 3,399,819**	**$ 170,815**	**$ 140,917**	**$ 79,796**
Charge-offs	**-**	**-**	**-**	**-**
Recoveries	**-**	**-**	**-**	**-**
Provision for credit losses (credit loss reversal)	**272,535**	**(6,859)**	**(15,570)**	**377,018**
Balance at June 30, 2026	**$ 3,672,354**	**$ 163,956**	**$ 125,347**	**$ 456,814**
Allowance for credit losses on unfunded commitments:				
Balance at December 31, 2025	**$ 896**	**$ 18,475**	**$ 26,587**	**$ 2,603**
Provision for unfunded commitments	**(180)**	**(4,237)**	**(6,693)**	**(2,536)**
Balance at June 30, 2026	**$ 716**	**$ 14,238**	**$ 19,894**	**$ 67**
Total allowance for credit losses	**$ 3,673,070**	**$ 178,194**	**$ 145,241**	**$ 456,881**

	Energy and Water/Waste Disposal	Rural Residential Real Estate	Agricultrual Export Finance	Total
Allowance for credit losses on loans:				
Balance at December 31, 2025	**$ 7,737**	**$ 9,579**	**$ 7,264**	**$ 3,815,927**
Charge-offs	**-**	**-**	**-**	**-**
Recoveries	**-**	**-**	**-**	**-**
Provision for credit losses (credit loss reversal)	**(2,005)**	**(510)**	**(671)**	**623,938**
Balance at June 30, 2026	**$ 5,732**	**$ 9,069**	**$ 6,593**	**$ 4,439,865**
Allowance for credit losses on unfunded commitments:				
Balance at December 31, 2025	**$ 476**	**$ -**	**$ 873**	**$ 49,910**
Provision for unfunded commitments	**(60)**	**-**	**(109)**	**(13,815)**
Balance at June 30, 2026	**$ 416**	**$ -**	**$ 764**	**$ 36,095**
Total allowance for credit losses	**$ 6,148**	**$ 9,069**	**$ 7,357**	**$ 4,475,960**

	Real Estate Mortgage		Production and Intermediate-Term		Agribusiness		Communications	
Allowance for credit losses on loans:								
Balance at December 31, 2024	$	3,048,113	$	162,936	$	74,524	$	77,671
Charge-offs		-		-		-		-
Recoveries		-		-		-		-
Provision for loan losses (credit loss reversal)		341,332		219,123		14,289		4,554
Balance at June 30, 2025	$	3,389,445	$	382,059	$	88,813	$	82,225
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2024	$	3,139	$	22,333	$	18,077	$	2,644
Provision for unfunded commitments		5,225		(380)		(6,468)		74
Balance at June 30, 2025	$	8,364	$	21,953	$	11,609	$	2,718
Total allowance for credit losses	$	3,397,809	$	404,012	$	100,422	$	84,943

	Energy and Water/Waste Disposal		Rural Residential Real Estate		Agricultrual Export Finance		Total	
Allowance for credit losses on loans:								
Balance at December 31, 2024	$	12,784	$	8,360	$	6,632	$	3,391,020
Charge-offs		-		-		-		-
Recoveries		-		-		-		-
Provision for loan losses (credit loss reversal)		(1,166)		997		(577)		578,552
Balance at June 30, 2025	$	11,618	$	9,357	$	6,055	$	3,969,572
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2024	$	870	$	-	$	2,928	$	49,991
Provision for unfunded commitments		(344)		-		(739)		(2,632)
Balance at June 30, 2025	$	526	$	-	$	2,189	$	47,359
Total allowance for credit losses	$	12,144	$	9,357	$	8,244	$	4,016,931

Discussion of Changes in Allowance for Credit Losses

Allowance for credit losses increased $623,938 to $4,439,865 at June 30, 2026, as compared to $3,815,927 at December 31, 2025. This is largely due to the increase in loan volume, and the decrease in credit quality of one large participation loan.

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.

Regulatory Capitalization Requirements

Risk-adjusted:	**Regulatory Minimums wih Buffer**	**As of June 30, 2026**
Common equity tier 1 ratio	7.00%	12.17%
Tier 1 capital ratio	8.50%	12.17%
Total capital ratio	10.50%	12.40%
Permanent capital ratio	7.00%	12.20%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	10.99%
UREE leverage ratio	1.50%	7.38%

The details for the amounts used in the calculation of the regulatory capital ratios as of June 30, 2026:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	87,082,941	87,082,941	87,082,941	87,082,941
Paid-in capital	10,238,891	10,238,891	10,238,891	10,238,891
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	6,167,321	6,167,321	6,167,321	6,167,321
Other required member purchased stock held <5 years				
Other required member purchased stock held ≥ 5 years but < 7 years				
Other required member purchased stock held ≥7 years				
Allocated equities:				
Allocated equities held <5 years				
Allocated equities held ≥5 years but < 7 years				
Allocated equities held ≥7	62,452,680	62,452,680	62,452,680	62,452,680
Nonqualified allocated equities not subject to retirement	81,528,655	81,528,655	81,528,655	81,528,655
Non-cumulative perpetual preferred stock		-	-	-
Other preferred stock subject to certain limitations			-	-
Subordinated debt subject to certain limitation				
Allowance for loan losses and reserve for credit losses subject to certain limitations			3,972,920	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(38,475,457)	(38,475,457)	(38,475,457)	(38,475,457)
Other regulatory required deductions	(109,911)	(109,911)	(109,911)	(109,911)
	208,885,120	208,885,120	212,858,040	208,885,120
Denominator:				
Risk-adjusted assets excluding allowance	1,755,284,185	1,755,284,185	1,755,284,185	1,755,284,185
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(38,592,904)	(38,592,904)	(38,592,904)	(38,592,904)
Allowance for loan losses				(3,931,004)
	1,716,691,281	1,716,691,281	1,716,691,281	1,712,760,277

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	87,082,941	87,082,941
Paid-in capital	10,238,891	10,238,891
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	6,167,321	-
Other required member purchased stock held <5 years		
Other required member purchased stock held ≥ 5 years but < 7 years		
Other required member purchased stock held ≥7 years		
Allocated equities:		
Allocated equities held <5 years		
Allocated equities held ≥5 years but < 7 years		
Allocated equities held ≥7	62,452,680	-
Nonqualified allocated equities not subject to retirement	81,528,655	81,528,655
Non-cumulative perpetual preferred stock	-	
Other preferred stock subject to certain limitations		
Subordinated debt subject to certain limitation		
Allowance for loan losses and reserve for credit losses subject to certain limitations		
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(38,475,457)	(38,475,457)
Other regulatory required deductions	(109,911)	(109,911)
	208,885,120	140,265,119
Denominator:		
Total Assets	1,940,658,162	1,940,658,162
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(39,936,315)	(39,936,315)
	1,900,721,847	1,900,721,847

The association's accumulated other comprehensive income (loss) relates entirely to its non-pension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) 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 June 30:

	2026	2025
Accumulated other comprehensive income (loss) at January 1	**$ 520,899**	$ 259,315
Amortization of prior service (credit) costs included in salaries and employee benefits	**(18,174)**	(6,750)
Other comprehensive income (loss), net of tax	**(18,174)**	(6,750)
Accumulated other comprehensive income (loss) at June 30	**$ 502,725**	$ 252,565

NOTE 5 — INCOME TAXES:

Southern AgCredit, 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. Southern AgCredit, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Southern AgCredit, 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 institution 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. For the six months ended June 30, 2026 and 2025, the net accrued tax liability/benefit was $0.

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.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

June 30, 2026	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets held in non-qualified benefits trusts	**108,308**			**108,308**

December 31, 2025	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets held in non-qualified benefits trusts	130,190			130,190

Assets and liabilities measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

June 30, 2026	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ 54,266**	**$ 54,266**
Other property owned	**-**	**-**	**-**	**-**

December 31, 2025	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 1,289,935	$ 1,289,935
Other property owned	-	-	33,746	33,746

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.

Assets Held in Nonqualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

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.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs for other postretirement benefit costs for the three and six months ended June 30:

	Pension Benefits	
Three months ended June 30:	**2026**	2025
Service cost	**$ 5,360**	$ 5,555
Interest cost	**39,611**	40,918
Amortization of prior service (credits) costs	**(1,823)**	(3,375)
Amortization of net actuarial (gain) loss	**(7,263)**	-
Net periodic benefit cost	**$ 35,885**	$ 43,098

	Pension Benefits	
Six Months Ended June 30:	**2026**	2025
Service cost	**$ 10,720**	$ 11,110
Interest cost	**79,222**	81,836
Amortization of prior service (credits) costs	**(3,646)**	(6,750)
Amortization of net actuarial (gain) loss	**(14,526)**	-
Net periodic benefit cost	**$ 71,770**	$ 86,196

The association's liability for the unfunded accumulated obligation for these benefits at June 30, 2026, was $2,908,500 and is included in other liabilities on the Balance Sheet.

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 income statement.

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 $371,358 to the district's defined benefit pension plan in 2026. As of June 30, 2026, $185,679 of contributions have been made. The association presently anticipates contributing an additional $185,679 to fund the defined benefit pension plan in 2026 for a total of $371,358.

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.

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. At June 30, 2026, $113,134,308 of commitments and $153,898 of commercial letters of credit were outstanding.

Since 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 balance sheet until funded or drawn upon. Therefore, the association has recognized an estimated risk loss liability, included on the balance sheet with other liabilities, determined on the same basis as the allowance for credit loss is determined. 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 9 — SUBSEQUENT EVENTS:

The association has evaluated subsequent events through August 7, 2026, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of August 7, 2026.