ALABAMA FARM CREDIT, ACA

2025
Quarterly Report

For the Quarter Ended June 30, 2025

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.

/s/Mel Koller, Chief Executive Officer/President *August 6, 2025*	/s/Matthew Christjohn, DVM, Chairman, Board of Directors *August 6, 2025*
/s/Kedric Karkosh, Chief Financial Officer *August 6, 2025*	/s/John R Adams, Chairman, Audit Committee *August 6, 2025*

Second Quarter 2025 Financial Report
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ALABAMA FARM CREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(dollars in thousands, except as noted)

The following commentary reviews the financial performance of Alabama Farm Credit, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended June 30, 2025. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2024 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 January 2025, the Association approved a patronage distribution to its stockholders. The Association was able to distribute $6,154 to its members due to strong earnings during 2024. The distribution was made in April 2025.

In January 2025, the Farm Credit Bank of Texas Board approved a change to the Bank's capitalization policy. Through 2024, associations and qualifying Other Financing Institutions were required to maintain an investment in the Bank equal to 2.0 percent of their average borrowings from the Bank as determined on an annual basis. Beginning in March 2025, this investment requirement was increased to 2.5 percent of their average borrowings from the Bank and will be determined on a semi-annual basis.

Loan Portfolio

Total loans outstanding at June 30, 2025, including nonaccrual loans and sales contracts, were $1,186,730 compared to $1,144,868 at December 31, 2024, reflecting an increase of 3.7 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.5 percent at June 30, 2025, compared to 0.5 percent at December 31, 2024.

The Association recorded $0 in recoveries and $1,301 in charge-offs for the three months ended June 30, 2025, and $0 in recoveries and $12 in charge-offs for the three months ended June 30, 2024. The Association recorded $0 in recoveries and $1,308 in charge-offs for the six months ended June 30, 2025, and $0 in recoveries and $12 in charge-offs for the six months ended June 30, 2024. The Association's allowance for loan losses was 0.4 percent and 0.5 percent of total loans outstanding as of June 30, 2025, and December 31, 2024, respectively.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the Association's components and trends of high-risk assets.

High-Risk Assets

	June 30, 2025		December 31, 2024	
	Amount	%	Amount	%
Nonaccrual	$ 6,017	100.0%	$ 5,564	84.8%
90 days past due and still accruing interest	-	0.0%	321	4.9%
Other property owned, net	-	0.0%	675	10.3%
Total	$ 6,017	100.0%	$ 6,560	100.0%

Investments

The Association's held-to-maturity investments are comprised of SBA Securities (loan pools). The principal investment is guaranteed by the United States Treasury. The investments are held for the purpose of asset diversification and risk management.

The following is a summary of investments that are held-to-maturity.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
6/30/2025	$ 52,138	$ -	$ 532	$ 51,606	4.688%
12/31/2024	29,863	-	117	29,747	5.583%

Results of Operations

The Association had net income of $4,585 and $8,940 for the three and six months ended June 30, 2025, as compared to net income of $3,661 and $6,771 for the same period in 2024, reflecting an increase of 25.2 percent and 32.0 percent. Net interest income was $7,871 and $15.035 for the three and six months ended June 30, 2025, compared to $7,129 and $13,949 for the same period in 2024.

	Six Months Ended			
	June 30, 2025		June 30, 2024	
	Average Balance	Interest	Average Balance	Interest
Loans	$ 1,168,921	$ 36,126	$ 1,094,279	$ 32,680
Investments	41,646	1,199	-	-
Total interest-earning assets	1,210,567	37,325	1,094,279	32,680
Interest-bearing liabilities	1,091,554	22,290	979,124	18,731
Impact of capital	$ 119,013		$ 115,155	
Net interest income		$ 15,035		$ 13,949

	2025 Average Yield	2024 Average Yield
Yield on loans	6.21%	6.01%
Yield on investments	5.81%	0.00%
Total yield on interest-earning assets	6.20%	6.01%
Cost of interest-bearing liabilities	4.12%	3.85%
Interest rate spread	2.08%	2.16%

	Six Months Ended June 30, 2025 vs. June 30, 2024		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	$ 2,223	$ 1,093	$ 3,316
Interest income - investment	-	1,199	1,199
Total interest income	2,223	2,292	4,515
Interest expense	2,145	1,414	3,559
Net interest income	$ 78	$ 878	$ 956

Interest income for the six months ended June 30, 2025 increased by $4,515 from the same period of 2024, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the six months ended June 30, 2025 increased by $3,559 from the same period of 2024 due to an increase in interest rates offset by an increase in average debt volume. Average loan volume for the second quarter of 2025 was $1,168,921, compared to $1,094,279 in the second quarter of 2024. The average net interest rate spread on the loan portfolio for the second quarter of 2025 was 2.1 percent, compared to 2.2 percent in the second quarter of 2024.

The Association's return on average assets for the six months ended June 30, 2025, was 1.5 percent compared to 1.2 percent for the same period in 2024. The Association's return on average equity for the six months ended June 30, 2025, was 11.4 percent, compared to 9.0 percent for the same period in 2024.

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, 2025	December 31, 2024
Note payable to the Bank	$ 1,119,642	$ 1,057,328
Accrued interest on note payable	3,883	3,525
Total	$ 1,123,525	$ 1,060,853

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2025. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $1,119,642 as of June 30, 2025, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 4.2 percent at June 30, 2025. 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, 2024, is due to the Association's increase in the Association's loan portfolio as a result of the increased loan demand in its 27-county territory, an increase in capital market loans, purchases of investments. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $119,106 at June 30, 2025. The maximum amount the Association may borrow from the Bank as of June 30, 2025, was $1,230,000 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2025, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The Association is required to maintain an investment in the Bank in the form of Class A voting capital stock and allocated retained earnings. For 2024, the investment required of the Association was 2.0 percent of its average borrowing from the Bank, which was equalized annually. Beginning in 2025, the investment requirement of the Association increased to 2.5 percent of the average borrowings from the Bank, annualized semi-annually. The first semi-annual equalization resulted in an increase in investment in the Bank of $6,583 and was recorded in the first quarter of 2025.

Capital Resources

The Association's capital position increased by $9,234 at June 30, 2025, compared to December 31, 2024. The Association's debt as a percentage of members' equity was 6.74:1 as of June 30, 2025, compared to 6.76:1 as of December 31, 2024.

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 June 30, 2025, the Association exceeded all regulatory capital requirements.

Risk-adjusted:	Regulatory Minimums with Buffer	As of June 30, 2025
Common equity tier 1 ratio	7.5%	11.5%
Tier 1 capital ratio	9.0%	11.5%
Total capital ratio	11.0%	12.0%
Permanent capital ratio	7.0%	11.5%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.4%	10.7%
UREE leverage ratio	2.0%	10.4%

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 2024 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 Alabama Farm Credit, ACA, P.O. Box 639, Cullman, Alabama 35056 or calling (256) 737-7128. The annual and quarterly stockholder reports for the Association are also available on its website at www.alabamafarmcredit.com. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing Kedric.Karkosh@AlabamaFarmCredit.com.

Alabama Farm Credit, ACA
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

ASSETS	June 30, 2025 (unaudited)	December 31, 2024
Cash	$ 10	$ 10
Investments	52,138	29,863
Loans	1,186,730	1,144,868
Less: allowance for credit losses on loans	4,153	5,132
Net loans	1,182,577	1,139,736
Accrued interest receivable	13,718	13,416
Investment in and receivable from the Farm		
Capital stock	26,337	19,754
Other	4,649	7,397
Other property owned, net	-	675
Premises and equipment, net	15,587	15,846
Other assets	5,925	5,376
Total assets	$ 1,300,941	$ 1,232,073
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	$ 1,119,642	$ 1,057,328
Advance conditional payments	3	5
Accrued interest payable	3,883	3,525
Drafts outstanding	123	65
Dividends payable	(182)	5,981
Other liabilities	9,437	6,369
Total liabilities	$ 1,132,906	$ 1,073,273
MEMBERS' EQUITY		
Capital stock and participation certificates	$ 3,492	$ 3,492
Unallocated retained earnings	164,337	155,098
Accumulated other comprehensive income (loss)	206	210
Total members' equity	168,035	158,800
Total liabilities and members' equity	$ 1,300,941	$ 1,232,073

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

Alabama Farm Credit, ACA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)
(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
INTEREST INCOME	2025	2024	2025	2024
Loans	$ 18,763	$ 16,689	36,126	32,680
Investments	674	-	1,199	-
Total interest income	19,437	16,689	37,325	32,680
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	11,566	9,560	22,290	18,731
Advance conditional payments	-	-	-	-
Total interest expense	11,566	9,560	22,290	18,731
Net interest income	7,871	7,129	15,035	13,949
PROVISION FOR LOAN LOSSES	311	1,229	377	1,453
Net interest income after provision for credit losses on loans	7,560	5,900	14,658	12,496
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	1,381	1,229	2,692	2,559
Loan fees	147	137	323	275
Financially related services income	2	29	84	149
Gain (loss) on other property owned, net	(117)	(59)	(39)	(74)
Gain (loss) on sale of premises and equipment, net	58	37	148	51
Other noninterest income	285	196	332	376
Total noninterest income	1,756	1,569	3,540	3,336
NONINTEREST EXPENSES				
Salaries and employee benefits	2,568	2,206	5,214	5,014
Directors' expense	122	105	252	203
Purchased services	303	262	621	1,147
Travel	265	279	424	448
Occupancy and equipment	419	421	838	796
Communications	88	88	179	180
Advertising	81	107	153	204
Public and member relations	166	102	331	315
Supervisory and exam expense	103	101	206	203
Insurance fund premiums	243	(71)	291	140
Other noninterest expense	373	208	749	411
Total noninterest expenses	4,731	3,808	9,258	9,061
Income before income taxes	4,585	3,661	8,940	6,771
Provision for (benefit from) income taxes	-	-	-	-
NET INCOME	4,585	3,661	8,940	6,771
Other comprehensive income:				
Change in postretirement benefit plans	21	(3)	298	(6)
Income tax expense related to items of other comprehensive income				
Other comprehensive income, net of tax	21	(3)	298	(6)
COMPREHENSIVE INCOME	$ 4,606	$ 3,658	9,238	6,765

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

Alabama Farm Credit, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)
(Dollars in thousands)

	Capital Stock/ Participation Certificates	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2023	$ 3,435	$ 144,297	$ 292	$ 148,024
Net income		6,771		6,771
Other comprehensive income			(6)	(6)
Capital stock/participation certificates and allocated retained earnings issued	199			199
Capital stock/participation certificates and allocated retained earnings retired	(154)			(154)
Balance at June 30, 2024	$ 3,480	$ 151,068	$ 286	$ 154,834
Balance at December 31, 2024	$ 3,492	$ 155,098	$ 210	$ 158,800
Net income		9,238		9,238
Other comprehensive income			(3)	(3)
Capital stock/participation certificates and allocated retained earnings issued	235			235
Capital stock/participation certificates and allocated retained earnings retired	(235)			(235)
Balance at June 30, 2025	$ 3,492	$ 164,336	$ 207	$ 168,035

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

Unaudited (dollar amounts in thousands, except per share amounts and as otherwise noted)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Alabama 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 Blount, Calhoun, Cherokee, Clay, Cleburne, Colbert, Cullman, DeKalb, Etowah, Fayette, Franklin, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Limestone, Madison, Marion, Marshall, Morgan, Randolph, Shelby, St. Clair, Talladega, Walker, and Winston in the state of Alabama. 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, 2024, as contained in the 2024 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, 2025. Descriptions of the significant accounting policies are included in the 2024 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 2023, the Financial Accounting Standards Board (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 standard 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. Income taxes paid will require disaggregated disclosure by federal, state and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Institution's financial condition, results of operations or cash flows.

NOTE 2 — INVESTMENTS:

Held-to-Maturity

A summary of the amortized cost and fair value of SBA investment securities held-to-maturity is as follows:

	June 30, 2025				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
SBA Investments	$ 52,138	$ -	$ 532	$ 51,606	4.688%

	December 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
SBA Investments	$ 29,863	$ -	$ 117	$ 29,747	5.583%

The following table is a summary of the contractual maturity, fair value, amortized cost and weighted average yield of investments held-to-maturity at June 30, 2025:

Description	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years	Total
Amortized Cost	$ -	$ -	$ 25,245	$ 26,893	$ 52,138
Fair Value	-	-	27,056	24,550	51,606
Weighted Average Yield			4.7%	4.6%	

Accrued interest of $289 and $305 as of June 30, 2025 and December 31, 2024, has been excluded from the amortized cost basis of the total investment securities.

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

A summary of loans follows:

Loan Type	June 30, 2025 Amount	December 31, 2024 Amount
Production agriculture:		
Real estate mortgage	$ 839,418	$ 813,083
Production and intermediate-term	166,446	163,582
Agribusiness:		
Loans to cooperatives	10,584	3,806
Processing and marketing	94,852	87,081
Farm-related business	31,843	29,691
Communication	10,103	10,234
Energy	4,996	4,995
Water and waste-water	5,603	9,323
Rural residential real estate	14,116	14,423
Agricultural export finance	8,769	8,650
Total	$ 1,186,730	$ 1,144,868

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations.

The following table presents information regarding the balances of participations purchased and sold at June 30, 2025:

	In District		System Entities Outside the District		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 10,017	$ 118,468	$ -	$ -	$ 10,017	$ 118,468
Production and intermediate-term	41,287	12,339	-	961	41,287	13,300
Agribusiness	78,730	19,051	19,532	1,400	98,262	20,451
Communication	7,719	-	2,383	-	10,102	-
Energy	4,996	-	-	-	4,996	-
Water and waste-water	5,603	-	-	-	5,603	-
Rural residential real estate	-	1,052	-	-	-	1,052
Agricultural export finance	8,769	-	-	-	8,769	-
Total	$ 157,121	$ 150,910	$ 21,915	$ 2,361	$ 179,036	$ 153,271

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 $3 thousand and $5 thousand at June 30, 2025, and December 31, 2024, respectively.

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in the outstanding loans, letters of credit and unfunded loan commitments. The Association manages credit risk associated with 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 risk rating model based on an 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. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. 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 or the loan is classified nonaccrual. 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, 2025, and December 31, 2024:

	June 30, 2025	December 31, 2024
Real estate mortgage		
Acceptable	97.3%	97.3%
OAEM	1.3%	1.3%
Substandard/doubtful	1.4%	1.4%
	100.0%	100.0%
Production and intermediate-term		
Acceptable	98.7%	99.2%
OAEM	0.7%	0.5%
Substandard/doubtful	0.6%	0.3%
	100.0%	100.0%
Agribusiness		
Acceptable	98.7%	94.8%
OAEM	0.7%	3.7%
Substandard/doubtful	0.6%	1.5%
	100.0%	100.0%
Energy and water/waste-water		
Acceptable	100.0%	100.0%
OAEM		
Substandard/doubtful		
	100.0%	100.0%
Communication		
Acceptable	100.0%	100.0%
OAEM		
Substandard/doubtful		
	100.0%	100.0%
Rural residential real estate		
Acceptable	93.9%	95.8%
OAEM	3.3%	2.1%
Substandard/doubtful	2.8%	2.1%
	100.0%	100.0%
Agricultural export finance		
Acceptable	100.0%	100.0%
OAEM		
Substandard/doubtful		
	100.0%	100.0%
Total loans		
Acceptable	98.4%	97.5%
OAEM	1.4%	1.3%
Substandard/doubtful	0.2%	1.2%
	100.0%	100.0%

Accrued interest receivable on loans of $13,718 and $13,416 at June 30, 2025, and December 31, 2024 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 $23 and $30 during the three and six months ended June 30, 2025, respectively. During the three and six months ended June 30, 2024, the Association wrote off accrued interest receivable against interest income of $0 and $12, respectively.

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, 2025	December 31, 2024
Nonaccrual loans:		
Real estate mortgage	$ 5,570	$ 4,174
Production and intermediate-term	429	28
Agribusiness	18	1,328
Rural residential real estate	-	34
Total nonaccrual loans	6,017	5,564
Accruing loans 90 days or more past due:		
Real estate mortgage	-	-
Production and intermediate-term	-	322
Total accruing loans 90 days or more past due	-	322
Other property owned	-	675
Total nonperforming assets	$ 6,017	$ 6,561
Nonaccrual loans as a percentage of total loans	0.51%	0.49%
Nonperforming assets as a percentage of total loans and other property owned	0.51%	0.57%
Nonperforming assets as a percentage of capital	3.58%	4.13%

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, 2025			Interest Income Recognized
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Six Months Ended June 30, 2025
Nonaccrual loans:				
Real estate mortgage	$ -	$ 5,570	$ 5,570	$ 15
Production and intermediate-term	-	429	429	5
Agribusiness	18	-	18	-
Rural residential real estate	-	-	-	-
Total nonaccrual loans	$ 18	$ 5,999	$ 6,017	$ 20

	December 31, 2024			Interest Income Recognized
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Twelve Months Ended December 31, 2024
Nonaccrual loans:				
Real estate mortgage	$ 1,894	$ 2,280	$ 4,174	$ 71
Production and intermediate-term	28	-	28	6
Agribusiness	1,328	-	1,328	
Rural residential real estate	-	34	34	-
Total nonaccrual loans	$ 3,250	$ 2,314	$ 5,564	$ 77

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

June 30, 2025	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Less Than Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 3,077	$ 1,502	$ 4,579	$ 834,839	$ 839,418	$ -
Production and intermediate term	976	275	1,251	165,195	166,446	-
Loans to cooperatives	-	-	-	10,584	10,584	-
Processing and marketing	-	18	18	94,834	94,852	-
Farm-related business	411	-	411	31,432	31,843	-
Communication	-	-	-	10,103	10,103	-
Energy	-	-	-	4,996	4,996	-
Water and waste-water	-	-	-	5,603	5,603	-
Rural residential real estate	269	-	269	13,847	14,116	-
Agricultural export finance	-	-	-	8,769	8,769	-
Total	$ 4,733	$ 1,795	$ 6,528	$ 1,180,202	$ 1,186,730	$ -

December 31, 2024	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 10,949	$ 970	$ 11,919	$ 801,164	$ 813,083	$ -
Production and intermediate term	2,435	367	2,802	160,780	163,582	322
Loans to cooperatives	-	-	-	3,806	3,806	-
Processing and marketing	-	1,327	1,327	85,754	87,081	-
Farm-related business	1,311	-	1,311	28,380	29,691	-
Communication	-	-	-	10,234	10,234	-
Energy	-	-	-	4,995	4,995	-
Water and waste-water	-	-	-	9,323	9,323	-
Rural residential real estate	497	-	497	13,926	14,423	-
Agricultural export finance	-	-	-	8,650	8,650	-
Total	$ 15,192	$ 2,664	$ 17,856	$ 1,127,012	$ 1,144,868	$ 322

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

For loan modifications granted to borrowers during the three months ended June 30, 2025, the following table shows the amortized cost basis of the outstanding balances reflected in our Balance Sheet as of June 30, 2025, disaggregated by loan type and type of modification granted.

	For the Three Months Ended June 30, 2025									
					Combination					
	Interest Rate Reduction	Term Extension	Payment Deferral	Principal Forgivness	Interest Rate & Term Extension	Interest Rate & Payment Deferral	Interest Rate & Principal Forgiveness	Term Extension & Principal Forgiveness	Term Extension & Payment	Payment Extension & Principal
Real estate mortgage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Production and intermediate-te	-	-	-	-	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-
Energy and Water/waste dispo:	-	-	-	-	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-	-	-	-	-
International	-	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(1) Excludes loans that were modified during the period but were paid off, sold or charged off prior to period end.

For loan modifications granted to borrowers during the three months ended June 30, 2024, the following table shows the amortized cost basis of the outstanding balances reflected in our Balance Sheet as of June 30, 2024, disaggregated by loan type and type of modification granted.

	For the Three Months Ended June 30, 2024									
					Combination					
	Interest Rate Reduction	Term Extension	Payment Deferral	Principal Forgivness	Interest Rate & Term Extension	Interest Rate & Payment Deferral	Interest Rate & Principal Forgiveness	Term Extension & Principal Forgiveness	Term Extension & Payment Deferral	Payment Extension & Principal Forgivness
Real estate mortgage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Production and intermediate-term	-	-	-	-	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-
Energy and Water/waste disposal	-	-	-	-	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-	-	-	-	-
International	-	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(1) Excludes loans that were modified during the period but were paid off, sold or charged off prior to period end.

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the three months ended June 30, 2025, and 2024 was $0 and $0, respectively.

For loan modifications granted to borrowers during the six months ended June 30, 2025, the following table shows the amortized cost basis of the outstanding balances reflected in our Balance Sheet as of June 30, 2025, disaggregated by loan type and type of modification granted.

	For the Six Months Ended June 30, 2025									
					Combination					
	Interest Rate Reduction	Term Extension	Payment Deferral	Principal Forgivness	Interest Rate & Term Extension	Interest Rate & Payment Deferral	Interest Rate & Principal Forgiveness	Term Extension & Principal Forgiveness	Term Extension & Payment Deferral	Payment Extension & Principal Forgivness
Real estate mortgage	$ -	$ 1,008	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Production and intermediate-te	-	-	-	-	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-
Energy and Water/waste dispo	-	-	-	-	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-	-	-	-	-
International	-	-	-	-	-	-	-	-	-	-
Total	$ -	$ 1,008	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

For loan modifications granted to borrowers during the six months ended June 30, 2024, the following table shows the amortized cost basis of the outstanding balances reflected in our Balance Sheet as of June 30, 2024, disaggregated by loan type and type of modification granted.

	For the Six Months Ended June 30, 2024									
					Combination					
	Interest Rate Reduction	Term Extension	Payment Deferral	Principal Forgivness	Interest Rate & Term Extension	Interest Rate & Payment Deferral	Interest Rate & Principal Forgiveness	Term Extension & Principal Forgiveness	Term Extension & Payment Deferral	Payment Extension & Principal Forgivness
Real estate mortgage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Production and intermediate-term	-	-	-	-	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-
Energy and Water/waste disposal	-	-	-	-	-	-	-	-	-	-
Rural residential real estate	-	-	-	-	-	-	-	-	-	-
International	-	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the six months ended June 30, 2025, and 2024 was $19 and $0, respectively.

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty during the six months ended June 30, 2025 and 2024:

	Financial Effect
	For the Six Months Ended June 30, 2025
	Interest Rate Reduction
Real estate mortgage	-
Agribusiness	-
	Term Extension
Real estate mortgage	1,008
Rural residential real estate	-
	Payment Deferral
Real estate mortgage	-
Rural residential real estate	-
	Principal Forgiveness
Real estate mortgage	-
Production and intermediate-term	-
	Combination - Interest Rate Reduction and Term Extension
Real estate mortgage	-
Agribusiness	-
	Combination - Interest Rate Reduction and Payment Deferral
Real estate mortgage	-
Agribusiness	-
	Combination – Interest Rate Reduction and Principal Forgiveness
Real estate mortgage	-
Production and intermediate-term	-
	Combination – Term Extension and Principal Forgiveness
Real estate mortgage	-
Agribusiness	-
	Combination – Term Extension and Payment Deferral
Real estate mortgage	-
Agribusiness	-
	Combination – Payment Deferral and Principal Forgiveness
Real estate mortgage	-
Agribusiness	-

	Financial Effect
	For the Six Months Ended June 30, 2024
	Interest Rate Reduction
Real estate mortgage	-
Agribusiness	-
	Term Extension
Real estate mortgage	-
Rural residential real estate	-
	Payment Deferral
Real estate mortgage	-
Rural residential real estate	-
	Principal Forgiveness
Real estate mortgage	-
Production and intermediate-term	-
	Combination - Interest Rate Reduction and Term Extension
Real estate mortgage	-
Agribusiness	-
	Combination - Interest Rate Reduction and Payment Deferral
Real estate mortgage	-
Agribusiness	-
	Combination – Interest Rate Reduction and Principal Forgiveness
Real estate mortgage	-
Production and intermediate-term	-
	Combination – Term Extension and Principal Forgiveness
Real estate mortgage	-
Agribusiness	-
	Combination – Term Extension and Payment Deferral
Real estate mortgage	-
Agribusiness	-
	Combination – Payment Deferral and Principal Forgiveness
Real estate mortgage	-
Agribusiness	-

The following table sets forth an aging analysis at June 30, 2025, of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to June 30, 2025:

	Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ 1,008	$ -	$ -
Production and intermediate-term	-	-	-
Agribusiness	-	-	-
Communication	-	-	-
Energy and Water/waste disposal	-	-	-
Rural residential real estate	-	-	-
International	-	-	-
Total	$ 1,008	$ -	$ -

The following table sets forth an aging analysis at June 30, 2024, of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to June 30, 2024:

	Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ 1,585	$ -	$ -
Production and intermediate-term	-	-	-
Agribusiness	-	-	-
Communication	-	-	-
Energy and Water/waste disposal	-	-	-
Rural residential real estate	-	-	-
International	-	-	-
Total	$ 1,585	$ -	$ -

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the six months ended June 30, 2025, were $0 and $0 at December 31, 2024.

Loans held for sale were $0 and $0 at June 30, 2025, and December 31, 2024, respectively. Such loans are included in other assets and are carried at the lower of cost or fair value.

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 board of directors have generally established more restrictive lending limits.

A summary of changes in the allowance for credit losses by portfolio segment are as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communications	Energy and Water/Waste Disposal	Rural Residential Real Estate	International	Total
Allowance for credit losses on loans:								
Balance at March 31, 2025	$ (2,826)	$ (334)	$ (1,807)	$ (62)	$ (15)	$ (75)	$ (13)	$ (5,132)
Charge-offs	10	47	1,251	-	-	-	-	$ 1,308
Recoveries	-	-	-	-	-	-	-	$ -
Provision for credit losses (credit loss reversal)	(184)	(38)	(117)	1	(1)	10	-	$ (329)
Balance at June 30, 2025	$ (3,000)	$ (325)	$ (673)	$ (61)	$ (16)	$ (65)	$ (13)	$ (4,153)
Allowance for credit losses on unfunded commitments:								
Balance at March 31, 2025	$ (5)	$ (342)	$ (84)	$ (2)	$ (1)	$ -	$ (2)	$ (436)
Provision for unfunded commitments	(6)	(7)	-	-	1	-	-	$ (12)
Balance at June 30, 2025	$ (11)	$ (349)	$ (84)	$ (2)	$ -	$ -	$ (2)	$ (448)

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communications	Energy and Water/Waste Disposal	Rural Residential Real Estate	International	Total
Allowance for credit losses on loans:								
Balance at December 31, 2023	$ (2,627)	$ (251)	$ (299)	$ (8)	$ (19)	$ (56)	$ (7)	$ (3,267)
Charge-offs	9	2	-	-	-	1	-	$ 12
Recoveries	-	-	-	-	-	-	-	$ -
Provision for loan losses (credit loss reversal)	(282)	(37)	(1,107)	1	2	(2)	1	$ (1,424)
Balance at June 30, 2024	$ (2,900)	$ (286)	$ (1,406)	$ (7)	$ (17)	$ (57)	$ (6)	$ (4,679)
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2023	$ (1)	$ (300)	$ (97)		$ (1)	$ -	$ (5)	$ (404)
Provision for unfunded commitments	(1)	(25)	(4)	-	-	-	1	$ (29)
Balance at June 30, 2024	$ (2)	$ (325)	$ (101)	$ -	$ (1)	$ -	$ (4)	$ (433)

Discussion of Changes in Allowance for Credit Losses

The Allowance for Credit Losses decreased $1 million to $4,153 at June 30, 2025, as compared to $5,132 at December 31, 2024.

The Association's macroeconomic forecasts include a weighted average selection of a third-party vendor's economic scenarios over a reasonable and supportable forecast period of 2 years. The economic scenarios utilized in the June 30, 2025, estimate for the allowance for credit losses were based on the following: a baseline scenario, which represents a relatively stable economic environment; a downside scenario reflecting an economic recession during the forecast period; and an upside scenario that considers the potential for economic improvement relative to the baseline scenario. The economic forecast incorporates macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads.

NOTE 4 —LEASES:

The components of right of use assets were as follows:

		For the Three Months Ended	
Lease Type	Classification	June 30, 2025	June 30, 2024
Operating lease	Operating lease right of use asset: Building	$ 191	$ -
Operating lease	Operating lease right of use asset: Other	127	-
Total lease assets		$ 318	$ -
Operating lease	Operating lease right of use liability: Building	$ 193	$ -
Operating Lease	Operating lease right of use liability: Other	128	-
Total Lease assets		$ 321	$ -

The components of lease expense associated with right of use assets are as follows:

		Through June 30	
Lease Type	Income Statement Classification	2025	2024
Operating lease	Operating lease right of use lease expense		
	Building	$ 27	$ -
	Other	37	-

Future minimum lease payments under non-cancellable leases are as follows:

	Operating Leases
2025	$ 63
2026	122
2027	68
2028	54
2029	14
Thereafter	-
Total lease payments	$ 321

NOTE 5 — 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 with Buffer	As of June 30, 2025
Common equity tier 1 ratio	7.5%	11.5%
Tier 1 capital ratio	9.0%	11.5%
Total capital ratio	11.0%	12.0%
Permanent capital ratio	7.0%	11.5%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.4%	10.7%
UREE leverage ratio	2.0%	10.4%

The details for the amounts used in the calculation of the regulatory capital ratios as of June 30, 2025:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 160,512	$ 160,512	$ 160,512	$ 160,512
Paid-in capital	-	-	-	-
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	3,499	3,499	3,499	3,499
Allowance for loan losses and reserve for credit losses subject to certain limitations			5,504	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(27,126)	(27,126)	(27,126)	(27,126)
Other regulatory required deductions	(2,935)	(2,935)	(2,935)	(2,935)
	$ 133,950	$ 133,950	$ 139,454	$ 133,950
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,195,616	$ 1,195,616	$ 1,195,616	$ 1,195,616
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(30,061)	(30,061)	(30,061)	(30,061)
Allowance for loan losses				(5,068)
	$ 1,165,555	$ 1,165,555	$ 1,165,555	$ 1,160,487

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 160,512	$ 160,512
Paid-in capital	-	-
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	3,499	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(27,126)	(27,126)
Other regulatory required deductions	(2,935)	(2,935)
	$ 133,950	$ 130,451
Denominator:		
Total Assets	$ 1,288,668	$ 1,288,668
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(31,844)	(31,844)
	$ 1,256,824	$ 1,256,824

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

	June 30, 2025	December 31, 2024
Preferred stock	$ -	$ -
Capital stock and participation certificates	3,492	3,492
Additional paid-in-capital	-	-
Accumulated other comprehensive loss	206	210
Retained earnings	164,337	155,098
Total Capital	$ 168,035	$ 158,800

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 six months ended June 30:

	2025	2024
Accumulated other comprehensive income(loss) at January 1	$ 210	$ 292
Amoritization of prior credit costs included in salaries and employee benefits	(4)	(6)
Accumulated other comprehensive income(loss) at June 30	$ 206	$ 286

NOTE 6 — INCOME TAXES:

Alabama 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. Alabama Farm Credit, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Alabama 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 7 - 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 15 in the 2024 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, 2025	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 18	$ 18
Other property owned	-	-	-	-

December 31, 2024	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ 1,763	$ 1,763
Other property owned	-	-	675	675

- 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.

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

	June 30, 2024				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 10	$ 10	$ -	$ -	$ 10
Investments held-to-maturity	52,138		52,138		52,138
Net loans	1,182,577			1,126,797	1,126,797
Total Assets	$ 1,234,725	$ 10	$ 52,138	$ 1,126,797	$ 1,178,945
Liabilities:					
Note payable to Bank	$ 1,119,642	$ -	$ -	$ 1,065,850	$ 1,065,850
Total Liabilities	$ 1,119,642	$ -	$ -	$ 1,065,850	$ 1,065,850

	December 31, 2024				
	Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 10	$ 10	$ -	$ -	$ 10
Investments held-to-maturity	29,863	-	29,747	-	29,863
Net loans	1,139,736	-	-	1,083,166	1,083,166
Total Assets	$ 1,169,609	$ 10	$ 29,747	$ 1,083,166	$ 1,113,039
Liabilities:					
Note payable to Bank	$ 1,057,328	$ -	$ -	$ 1,006,567	$ 1,006,567
Total Liabilities	$ 1,057,328	$ -	$ -	$ 1,006,567	$ 1,006,567

Uncertainty of Fair Value Measurements

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would have resulted in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

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

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 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 15 to the 2024 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 2024 Annual Report to Stockholders

Standby Letters of Credit

The fair value of letters of credit approximates the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

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.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged for similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties. For fixed-rate loan commitments, estimated fair value also considers the difference between current levels of interest rates and the committed rates.

NOTE 8 — 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:	2025	2024
Service cost	$ 7	$ 7
Interest cost	24	23
Amortization of prior service (credits) costs	(2)	(2)
Amortization of net actuarial (gain) loss	-	(1)
Net periodic benefit cost	$ 29	$ 27

	Pension Benefits	
Six months ended June 30:	2025	2024
Service cost	$ 14	$ 14
Interest cost	48	47
Amortization of prior service (credits) costs	(4)	(4)
Amortization of net actuarial (gain) loss	-	(2)
Net periodic benefit cost	$ 58	$ 55

The Association's liability for the unfunded accumulated obligation for these benefits at June 30, 2025, was $1,864 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, 2024, that it expected to contribute $115 thousand to the district's defined benefit pension plan in 2025. As of June 30, 2025, $58 thousand of contributions have been made. The Association presently anticipates contributing an additional $57 thousand to fund the defined benefit pension plan in 2025 for a total of $115 thousand.

NOTE 9 — 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 10 —SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through August 6, 2025, which is the date the financial statements were issued. There are no other significant events requiring disclosure.