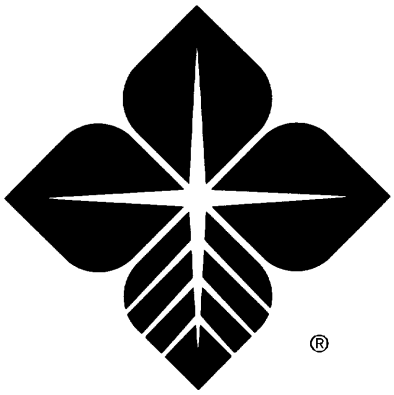
CENTRAL TEXAS FARM CREDIT, ACA

2026
Quarterly Report
Third Quarter



For the Quarter Ended September 30, 2026

REPORT OF MANAGEMENT

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



Zach May, Chief Executive Officer
November 6, 2026



Robby A. Halfmann, Chairmann, Board of Directors
November 6, 2026



Keith Prater, Chief Financial Officer
November 6, 2026

Third Quarter 2026 Financial Report

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

The following commentary reviews the financial performance of the Central Texas Farm Credit, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended September 30, 2026. These comments should be read in conjunction with the accompanying consolidated financial statements and the December 31, 2025, Annual Report to Stockholders.

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

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

Significant Events

2026

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

2025

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

2024

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

Loan Portfolio

Total loans outstanding at September 30, 2026, including nonaccrual loans and sales contracts, were $805,115,352 compared to $764,357,048 at December 31, 2025, reflecting an increase of 5.3 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.04 percent at September 30, 2026, compared to 0.05 percent at December 31, 2025.

The Association recorded no recoveries or charge-offs for the three months ended September 30, 2026, and no recoveries and $11,127 in charge-offs for the three months ended September 30, 2025. The Association recorded no recoveries and $44,787 in charge-offs for the nine months ended September 30, 2026, and no recoveries and $11,127 in charge-offs for the nine months ended September 30, 2025. The Association's allowance for credit losses on loans was 0.3 percent and 0.3 percent of total loans outstanding as of September 30, 2026, and December 31, 2025, respectively.

Territory Conditions

The local economy in our chartered territory continued to remain relatively strong in 2026. Real estate values remain stable despite interest rates.

Moisture and forage availability remain uneven across our territory. Grazing remains adequate in isolated pockets, while late-season hay cuttings are negatively impacted. El Niño is strengthening, with a greater than 90% chance of a very strong event during the fall and winter of 2026-27. Pasture conditions continue to depend heavily on localized rainfall.

Tight U.S. and Texas wheat supplies support prices, while global supplies limit further increases. The 2026/2027 season-average farm price is projected at $6.40/bu. Cotton supplies are also tighter, with lower U.S. production and ending stocks supporting a projected upland farm price of $0.78/lb. Smaller corn and sorghum crops and tighter balances strengthen price support compared with June, while cotton yield and quality remain concerns in our territory.

Cattle prices are still robust and hinge on supply fundamentals. Forward contract prices are expected to remain strong due to tight supplies and lower projected 2026 beef production. High replacement values may slow herd expansion and increase capital.

Class III Milk prices for Q3 2026, closed near $16.64/cwt in August 2026. As of October 16, 2026, CME settlement prices for November and December 2026 Class III milk futures stand at $17.34/cwt and $17.18/cwt, respectively. Higher milk output continues to pressure margins and may delay price improvement.

Most of our borrowers continue to do well right now, but many remain cautious due to volatile commodity markets. Management realizes the impact the current commodity environment could potentially have on borrowers.

Risk Exposure

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

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

	September 30, 2026		December 31, 2025	
	Amount	**%**	Amount	%
Nonaccrual	**$ 355,964**	**100.0%**	$ 403,893	84.6%
Other property owned, net	**-**	**0.0%**	62,738	15.4%
Total	**$ 355,964**	**100.0%**	$ 466,631	100.0%

Results of Operations

The Association had net income of $2,863,709 and $8,804,541 for the three and nine months ended September 30, 2026, as compared to net income of $2,696,254 and $7,957,368 for the same periods in 2025, reflecting an increase of 6.2 and 10.6 percent. Net interest income was $5,656,998 and $16,601,324 for the three and nine months ended September 30, 2026, compared to $5,181,336 and $15,585,010 for the same period in 2025.

	Nine Months Ended			
	September 30, 2026		September 30, 2025	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 780,830,262**	**$ 37,355,711**	$ 696,946,875	$ 33,686,957
Interest-bearing liabilities	**666,422,832**	**20,754,387**	582,987,474	18,101,947
Impact of capital	**$ 114,407,430**		$ 113,959,401	
Net interest income		**$ 16,601,324**		$ 15,585,010

	2026 Average Yield	2025 Average Yield
Yield on loans	**6.40%**	6.46%
Cost of interest-bearing liabilities	**4.16%**	4.15%
Interest rate spread	**2.24%**	2.31%
Net interest income as a percentage of average earning assets	**2.84%**	2.99%

	Nine Months Ended September 30, 2026 vs. September 30, 2025		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 4,054,521**	**$ (385,767)**	**$ 3,668,754**
Interest expense	**2,590,684**	**61,756**	**2,652,440**
Net interest income	**$ 1,463,837**	**$ (447,523)**	**$ 1,016,314**

Interest income for the nine months ended September 30, 2026, increased by $3,668,754, or 10.9, percent from the same period of 2025, primarily due to an increase in average loan volume partially offset by declines in yields. Interest expense for the nine months ended September 30, 2026, increased by $2,652,440, or 14.7 percent, from the same period of 2025 due to an increase in interest rates and an increase in average debt volume. Average loan volume for the nine months ending September of 2026 was $780,830,262, compared to $696,946,875 for the nine months ending September of 2025. The average net interest rate spread on the loan portfolio for the nine months ending September of 2026 was 2.24 percent, compared to 2.31 percent for the nine months ending September of 2025.

The Association's return on average assets for the nine months ended September 30, 2026, was 1.45 percent compared to 1.46 percent for the same period in 2025. The Association's return on average equity for the nine months ended September 30, 2026, was 8.51 percent, compared to 7.86 percent for the same period in 2025.

Liquidity and Funding Sources

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

	September 30, 2026	December 31, 2025
Note payable to the Bank	**$ 689,270,648**	$ 646,123,899
Accrued interest on note payable	**2,413,017**	2,240,901
Total	**$ 691,683,665**	$ 648,364,800

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2029. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $689,270,648 as of September 30, 2026, is recorded as a liability on the Association's Consolidated Balance Sheets. The note carried a weighted average interest rate of 4.26% at September 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 the Association's increase in loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $111,113,195 at September 30, 2026. The maximum amount the Association may borrow from the Bank as of September 30, 2026, was $815,251,310 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2029, 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 $8,808,101 at September 30, 2026, compared to December 31, 2025. The Association's debt as a percentage of members' equity was 4.88:1 as of September 30, 2026, compared to 4.94:1 as of December 31, 2025.

Farm Credit Administration regulations require the Association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of September 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 Consolidated Financial Statements contained in the 2025 Annual Report of the Association more fully describe the Association's relationship with the Bank.

The annual and quarterly stockholder reports of the Bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720, or by calling (512)483-9204. The annual and quarterly stockholder reports for the Bank are also available on its website at *www.farmcreditbank.com.*

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Central Texas Farm Credit, ACA, Accounting Department, P.O Box 3200, Early, Texas, 76803, or calling (325) 643-5563. The annual and quarterly stockholder reports for the Association are also available on its website at *www.centraltexasfarmcredit.com.* Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *Keith.Prater@centraltexasfc.com.*

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED BALANCE SHEETS

	September 30, 2026 (unaudited)	December 31, 2025
ASSETS		
Cash	**$ 4,115**	$ 3,375
Loans	**805,115,352**	764,357,048
Less: allowance for credit losses on loans	**2,535,874**	2,265,039
Net loans	**802,579,478**	762,092,009
Accrued interest receivable	**12,112,765**	9,957,621
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**16,763,130**	15,200,780
Other	**8,256**	1,358,420
Other property owned, net	**-**	62,738
Premises and equipment, net	**5,868,346**	6,013,632
Other assets	**1,182,142**	286,495
Total assets	**$ 838,518,232**	$ 794,975,070
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 689,270,648**	$ 646,123,899
Advance conditional payments	**-**	6,844
Accrued interest payable	**2,413,017**	2,240,901
Drafts outstanding	**4,918**	-
Dividends payable	**-**	8,000,000
Other liabilities	**4,275,672**	4,857,550
Total liabilities	**695,964,255**	661,229,194
MEMBERS' EQUITY		
Capital stock and participation certificates	**2,029,940**	2,025,165
Unallocated retained earnings	**140,320,234**	131,515,693
Accumulated other comprehensive income	**203,803**	205,018
Total members' equity	**142,553,977**	133,745,876
Total liabilities and members' equity	**$ 838,518,232**	$ 794,975,070

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

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	**2026**	2025
INTEREST INCOME				
Loans	**$ 12,890,765**	$ 11,389,059	**$ 37,355,711**	$ 33,686,957
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**7,233,767**	6,207,723	**20,754,387**	18,101,947
Net interest income	**5,656,998**	5,181,336	**16,601,324**	15,585,010
PROVISION FOR CREDIT LOSSES	**237,174**	296,106	**294,319**	945,578
Net interest income after provision for credit losses on loans	**5,419,824**	4,885,230	**16,307,005**	14,639,432
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**289,607**	285,764	**849,070**	1,130,518
Loan fees	**86,027**	106,798	**218,284**	228,492
Financially related services income	**867**	1,250	**1,595**	6,580
Gain on other property owned, net	**4,959**	-	**34,297**	-
Other noninterest income	**-**	-	**349,111**	140,333
Total noninterest income	**381,460**	393,812	**1,452,357**	1,505,923
NONINTEREST EXPENSES				
Salaries and employee benefits	**1,935,622**	1,700,930	**5,337,742**	5,160,589
Directors' expense	**53,595**	62,646	**128,187**	194,110
Purchased services	**62,911**	102,522	**398,157**	342,744
Travel	**138,144**	107,231	**385,807**	307,663
Occupancy and equipment	**287,435**	133,822	**1,015,170**	508,906
Communications	**13,694**	23,477	**52,241**	82,312
Advertising	**70,442**	79,359	**209,311**	262,477
Public and member relations	**56,099**	90,588	**266,047**	287,650
Supervisory and exam expense	**78,104**	-	**208,706**	130,495
Insurance fund premiums	**159,937**	137,335	**649,760**	554,894
Loss on sale of premises and equipment, net	**-**	-	**-**	774
Other components of net periodic postretirement benefit cost	**27,693**	33,132	**89,480**	99,396
Other noninterest expense	**53,899**	111,746	**214,213**	255,977
Total noninterest expenses	**2,937,575**	2,582,788	**8,954,821**	8,187,987
NET INCOME	**2,863,709**	2,696,254	**8,804,541**	7,957,368
Other comprehensive income:				
Change in postretirement benefit plans	**(405)**	-	**(1,215)**	-
COMPREHENSIVE INCOME	**$ 2,863,304**	$ 2,696,254	**$ 8,803,326**	$ 7,957,368

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

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2024	$ 2,003,475	$ 129,202,524	$ (28,451)	$ 131,177,548
Comprehensive income	-	7,957,368	-	7,957,368
Capital stock/participation certificates issued	221,480	-	-	221,480
Capital stock/participation certificates retired	(233,870)	-	-	(233,870)
Balance at September 30, 2025	$ 1,991,085	$ 137,159,892	$ (28,451)	$ 139,122,526
Balance at December 31, 2025	$ 2,025,165	$ 131,515,693	$ 205,018	$ 133,745,876
Comprehensive income	-	8,804,541	(1,215)	8,803,326
Capital stock/participation certificates issued	241,635	-	-	241,635
Capital stock/participation certificates retired	(236,860)	-	-	(236,860)
Balance at September 30, 2026	**$ 2,029,940**	**$ 140,320,234**	**$ 203,803**	**$ 142,553,977**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Central Texas Farm Credit, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the counties Baylor, Brown, Callahan, Coke, Coleman, Comanche, Concho, Haskell, Irion, Jones, Knox, McCulloch, Menard, Mills, Reagans, Runnels, San Saba, Sterling, Stonewall, and Tom Green in the state of Texas. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

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

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

Recently Adopted or Issued Accounting Pronouncements

In December 2025, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-11 Interim Reporting (Topic 270): Narrow-Scope Improvements. The update provides narrow-scope improvements to interim reporting guidance to enhance clarity, navigability and completeness of interim consolidated 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 Association's financial condition, results of operations or cash flows.

In December 2023, the FASB issued ASU 2023-09 – Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. 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 guidance will also eliminate the requirement to disclose an estimate of the range of the reasonably possible change in the unrecognized tax benefits balances in the next 12 months. Effective January 1, 2025, the Association adopted this guidance. The adoption of this guidance did not have an impact on the Association's financial condition, results of operations or cash flows, but did impact disclosures.

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

A summary of loans by type follows:

Loan Type	September 30, 2026	December 31, 2025
Production agriculture:		
Real estate mortgage	**$ 514,624,907**	$ 509,112,054
Production and intermediate-term	**158,657,726**	129,837,159
Agribusiness:		
Processing and marketing	**67,273,046**	68,680,401
Farm-related business	**26,679,625**	21,079,188
Loans to cooperatives	**4,534,339**	3,009,832
Communication	**15,198,858**	14,843,760
International	**7,232,942**	7,232,432
Energy	**6,487,949**	6,846,927
Water and waste-water	**2,451,288**	2,299,233
Rural residential real estate	**1,974,672**	1,416,062
Total	**$ 805,115,352**	$ 764,357,048

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

The following table presents information regarding the balances of participations purchased and sold at September 30, 2026:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Argribusiness	$ 64,206,367	$ 7,866,610	$ -	$ -	$ 64,206,367	$ 7,866,610
Real estate mortgage	56,470,457	21,331,954	-	-	56,470,457	21,331,954
Production and intermediate-term	45,299,507	20,235,619	-	-	45,299,507	20,235,619
Communication	15,198,858	-	-	-	15,198,858	-
International	7,232,942	-	-	-	7,232,942	-
Energy	6,487,949	-	-	-	6,487,949	-
Water and waste-water	2,451,288	-	-	-	2,451,288	-
Total	$ 197,347,368	$ 49,434,183	$ -	$ -	$ 197,347,368	$ 49,434,183

The Association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were $0 and $6,844 at September 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 the Association's outstanding loans, letters of credit and unfunded loan commitments. The Association manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, associations 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% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

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

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

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

The following table shows 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 September 30, 2026, and December 31, 2025:

	September 30, 2026	December 31, 2025
Real estate mortgage		
Acceptable	**98.7 %**	98.9 %
OAEM	**1.1**	0.9
Substandard/doubtful	**0.2**	0.2
	100.0	100.0
Production and intermediate-term		
Acceptable	**97.1**	96.3
OAEM	**2.4**	3.6
Substandard/doubtful	**0.5**	0.1
	100.0	100.0
Agribusiness		
Acceptable	**85.6**	88.1
OAEM	**9.1**	-
Substandard/doubtful	**5.3**	11.9
	100.0	100.0
Communication		
Acceptable	**84.6**	100.0
OAEM	**15.4**	-
Substandard/doubtful	**-**	-
	100.0	100.0
International		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Energy		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Water and waste-water		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Total loans		
Acceptable	**96.4**	97.2
OAEM	**2.6**	1.2
Substandard/doubtful	**1.0**	1.6
	100.0 %	100.0 %

Accrued interest receivable on loans of $12,112,765 and $9,957,621 at September 30, 2026, and December 31, 2025, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

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

	September 30, 2026	December 31, 2025
Nonaccrual loans:		
Real estate mortgage	**$ 260,177**	$ 260,177
Production and intermediate-term	**95,787**	143,716
Total nonaccrual loans	**$ 355,964**	$ 403,893
Other property owned	**-**	62,738
Total nonperforming assets	**$ 355,964**	$ 466,631
Nonaccrual loans as a percentage of total loans	**0.04%**	0.05%
Nonperforming assets as a percentage of total loans and other property owned	**0.04%**	0.06%
Nonperforming assets as a percentage of capital	**0.25%**	0.35%

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

	September 30, 2026			December 31, 2025		
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	Amortized Cost with Allowance	Amortized Cost without Allowance	Total
Nonaccrual loans:						
Real estate mortgage	**$ -**	**$ 260,177**	**$ 260,177**	$ -	$ 260,117	$ 260,117
Production and intermediate-term	**-**	**95,787**	**95,787**	106,096	37,620	143,716
Total nonaccrual loans	**$ -**	**$ 355,964**	**$ 355,964**	$ 106,096	$ 297,737	$ 403,833

	Interest Income Recognized For the Nine Months Ended September 30, 2026	Interest Income Recognized For the Nine Months Ended September 30, 2025
Nonaccrual loans interest income:		
Real estate mortgage	**$ 2,691**	$ 1,539
Production and intermediate-term	**-**	10,352
Total nonaccrual loans interest income	**$ 2,691**	$ 11,891

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

September 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**	**Amortized Cost >90 Days Past Due and Accruing**
Real estate mortgage	**$ 2,448,263**	**$ 260,177**	**$ 2,708,440**	**$ 511,916,467**	**$ 514,624,907**	**$ -**
Production and intermediate-term	**480,549**	**95,787**	**576,336**	**158,081,390**	**158,657,726**	**-**
Processing and marketing	**-**	**-**	**-**	**67,273,046**	**67,273,046**	**-**
Farm-related business	**-**	**-**	**-**	**26,679,625**	**26,679,625**	**-**
Loans to cooperatives	**-**	**-**	**-**	**4,534,339**	**4,534,339**	**-**
Communication	**-**	**-**	**-**	**15,198,858**	**15,198,858**	**-**
International	**-**	**-**	**-**	**7,232,942**	**7,232,942**	**-**
Energy	**-**	**-**	**-**	**6,487,949**	**6,487,949**	**-**
Water and waste-water	**-**	**-**	**-**	**2,451,288**	**2,451,288**	**-**
Rural residential real estate	**-**	**-**	**-**	**1,974,672**	**1,974,672**	**-**
Total	**$ 2,928,812**	**$ 355,964**	**$ 3,284,776**	**$ 801,830,576**	**$ 805,115,352**	**$ -**

December 31, 2025	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Amortized Cost >90 Days Past Due and Accruing
Real estate mortgage	$ 299,661	$ 260,177	$ 559,838	$ 508,552,216	$ 509,112,054	$ -
Production and intermediate-term	-	143,716	143,716	129,693,443	129,837,159	-
Processing and marketing	-	-	-	68,680,401	68,680,401	-
Farm-related business	-	-	-	21,079,188	21,079,188	-
Loans to cooperatives	-	-	-	3,009,832	3,009,832	-
Communication	-	-	-	14,843,760	14,843,760	-
International	-	-	-	7,232,432	7,232,432	-
Energy	-	-	-	6,846,927	6,846,927	-
Water and waste-water	-	-	-	2,299,233	2,299,233	-
Rural residential real estate	472,366	-	472,366	943,696	1,416,062	-
Total	$ 772,027	$ 403,893	$ 1,175,920	$ 763,181,128	$ 764,357,048	$ -

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to provided substantially through the operation or sale of the collateral. The collateral dependent loans are primarily real estate mortgage and rural residential real estate loans.

Loan Modifications to Borrowers Experiencing Financial Difficulties

As of September 30, 2026, and December 31, 2025, the Association had no modified loans to borrowers experiencing financial difficulties.

Allowance for Credit Losses

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

A summary of changes in the allowance for credit losses by portfolio segment for the three and nine months ended September 30, 2026, are as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communi-cation	Energy	International	Water and Waste-water	Rural Residential Real Estate	Total
Allowance for credit losses on loans:									
Balance at June 30, 2026	$ 714,292	$ 211,983	$ 1,354,291	$ 25,237	$ 2,317	$ 2,433	$ 1,600	$ 5,487	$ 2,317,640
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (credit loss reversal)	(5,074)	36,639	66,826	120,509	(214)	(453)	(8)	9	218,234
Balance at September 30, 2026	$ 709,218	$ 248,622	$ 1,421,117	$ 145,746	$ 2,103	$ 1,980	$ 1,592	$ 5,496	$ 2,535,874
Allowance for credit losses on unfunded commitments:									
Balance at June 30, 2026	$ 2,424	$ 29,807	$ 34,022	$ 3,864	$ -	$ 825	$ 145	$ -	$ 71,087
Provision for unfunded commitments	(952)	21,099	(2,016)	656	-	153	-	-	18,940
Balance at September 30, 2026	$ 1,472	$ 50,906	$ 32,006	$ 4,520	$ -	$ 978	$ 145	$ -	$ 90,027

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communi-cation	Energy	International	Water and Waste-Water	Rural Residential Real Estate	Total
Allowance for credit losses on loans:									
Balance at December 31, 2025	$ 631,046	$ 267,583	$ 1,328,898	$ 29,454	$ 2,579	$ 2,590	$ 1,320	$ 1,569	$ 2,265,039
Charge-offs	-	(44,787)	-	-	-	-	-	-	(44,787)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (credit loss reversal)	78,172	25,827	92,219	116,292	(476)	(611)	272	3,927	315,622
Balance at September 30, 2026	$ 709,218	$ 248,623	$ 1,421,117	$ 145,746	$ 2,103	$ 1,979	$ 1,592	$ 5,496	$ 2,535,874
Allowance for credit losses on unfunded commitments:									
Balance at December 31, 2025	$ 2,924	$ 46,416	$ 56,814	$ 3,855	$ -	$ 1,155	$ 166	$ -	$ 111,330
Provision for unfunded commitments	(1,452)	4,490	(24,808)	665	$ -	(177)	(21)	$ -	(21,303)
Balance at September 30, 2026	$ 1,472	$ 50,906	$ 32,006	$ 4,520	$ -	$ 978	$ 145	$ -	$ 90,027

A summary of changes in the allowance for credit losses by portfolio segment for the three and nine months ended September 30, 2025, are as follows:

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communi-cation	Energy	International	Water and Waste-Water	Rural Residential Real Estate	Total
Allowance for credit losses on loans:									
Balance at June 30, 2025	$ 506,691	$ 235,750	$ 1,316,829	$ 21,183	$ 2,769	$ 1,666	$ 3,735	$ 1,470	$ 2,090,093
Charge-offs	(9,300)	(1,827)	-	-	-	-	-	-	(11,127)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (credit loss reversal)	93,741	69,693	97,750	3,270	(42)	473	(1,100)	4	263,789
Balance at September 30, 2025	$ 591,132	$ 303,616	$ 1,414,579	$ 24,453	$ 2,727	$ 2,139	$ 2,635	$ 1,474	$ 2,342,755
Allowance for credit losses on unfunded commitments:									
Balance at June 30, 2025	$ 2,446	$ 37,595	$ 34,451	$ 2,103	$ -	$ 711	$ 270	$ -	$ 77,576
Provision for unfunded commitments	(1,572)	24,527	8,166	1,577	-	(1,371)	(101)	1,091	32,317
Balance at September 30, 2025	$ 874	$ 62,122	$ 42,617	$ 3,680	$ -	$ (660)	$ 169	$ 1,091	$ 109,893

	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Communi-cation	Energy	International	Water and Waste-Water	Rural Residential Real Estate	Total
Allowance for credit losses on loans:									
Balance at December 31, 2024	$ 829,456	$ 310,342	$ 264,332	$ 19,038	$ 3,544	$ 1,999	$ 4,778	$ 776	$ 1,434,265
Charge-offs	(9,300)	(1,827)	-	-	-	-	-	-	(11,127)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for credit losses (credit loss reversal)	(229,024)	(4,899)	1,150,247	5,415	(817)	140	(2,143)	698	919,617
Balance at September 30, 2025	$ 591,132	$ 303,616	$ 1,414,579	$ 24,453	$ 2,727	$ 2,139	$ 2,635	$ 1,474	$ 2,342,755
Allowance for credit losses on unfunded commitments:									
Balance at December 31, 2024	$ 2,322	$ 40,756	$ 37,187	$ 2,145	$ -	$ 1,091	$ 431	$ -	$ 83,932
Provision for unfunded commitments	(1,448)	21,366	5,430	1,535	-	(660)	(262)	-	25,961
Balance at September 30, 2025	$ 874	$ 62,122	$ 42,617	$ 3,680	$ -	$ 431	$ 169	$ -	$ 109,893

Discussion of Changes in Allowance for Credit Losses

The allowance for credit losses on loans (ACLL) increased $249,532 to $2,625,901 at September 30, 2026, as compared to $2,376,369 at December 31, 2025. The increase in allowance was related to downgrades in Loss Given Default ratings for a portion of the portfolio and model/economic scenarios in the Moody's system, while still experiencing portfolio growth.

NOTE 3 — LEASES:

The components of lease expense were as follows:

	For the Three Months Ended	
Classification	**September 30, 2026**	September 30, 2025
Operating lease cost	**$ 4,125**	$ 4,000
Net lease cost	**$ 4,125**	$ 4,000

	For the Nine Months Ended	
Classification	**September 30, 2026**	September 30, 2025
Operating lease cost	**$ 12,208**	$ 14,787
Net lease cost	**$ 12,208**	$ 14,787

Other information related to leases was as follows:

	For the Three Months Ended	
	September 30, 2026	September 30, 2025
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 4,125**	$ 4,000

	For the Nine Months Ended	
	September 30, 2026	September 30, 2025
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 12,208**	$ 14,787

Lease term and discount rate are as follows:

	September 30, 2026	December 31, 2025
Weighted average remaining lease term in years		
Operating leases	**0.58**	1.33
Weighted average discount rate		
Operating leases	**4.26%**	4.24%

Future minimum lease payments under non-cancellable leases as of September 30, 2026, were as follows:

	Total
2026	$ 4,125
2027	5,500
2028	-
2029	-
2030	-
Thereafter	-
Total	$ 9,625

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 credit losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an Association's customer base; and any other risk-oriented activities, such as funding 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.

	September 30, 2026	December 31, 2025
Capital stock and participation certificates	**$ 2,029,940**	$ 2,025,165
Accumulated other comprehensive income	**203,803**	205,018
Unallocated retained earnings	**140,320,234**	131,515,693
Total Capital	**$ 142,553,977**	$ 133,745,876

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums with Buffer	As of September 30, 2026
Common equity tier 1 ratio	7.00%	14.55%
Tier 1 capital ratio	8.50%	14.55%
Total capital ratio	10.50%	14.83%
Permanent capital ratio	7.00%	14.59%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	15.28%
UREE leverage ratio	1.50%	15.03%

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

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 138,535,143	$ 138,535,143	$ 138,535,143	$ 138,535,143
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,024,797	2,024,797	2,024,797	2,024,797
Allowance for credit losses and reserve for credit losses subject to certain limitations	-	-	2,391,361	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(16,763,130)	(16,763,130)	(16,763,130)	(16,763,130)
	$ 123,796,810	$ 123,796,810	$ 126,188,171	$ 123,796,810
Denominator:				
Risk-adjusted assets excluding allowance	$ 867,705,525	$ 867,705,525	$ 867,705,525	$ 867,705,525
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(16,763,130)	(16,763,130)	(16,763,130)	(16,763,130)
Allowance for credit losses on loans	-	-	-	(2,320,064)
	$ 850,942,395	$ 850,942,395	$ 850,942,395	$ 848,622,331

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 138,535,143	$ 138,535,143
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	2,024,797	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(16,763,130)	(16,763,130)
	$ 123,796,810	$ 121,772,013
Denominator:		
Total Assets	$ 829,761,663	$ 829,761,663
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(19,378,023)	(19,378,023)
	$ 810,383,640	$ 810,383,640

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

	Accumulated Other Comprehensive
Balance at December 31, 2025	**$ 205,018**
Other comprehensive income before reclassifications	**(1,215)**
Net current period other comprehensive income	**(1,215)**
Balance at September 30, 2026	**$ 203,803**

	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2024	$ (28,451)
Other comprehensive income before reclassifications	-
Net current period other comprehensive income	-
Balance at September 30, 2025	$ (28,451)

The Association's accumulated other comprehensive income (loss) relates entirely to its non-pension other postretirement benefits. Actuarial (gain) loss is 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 nine months ended September 30:

	2026	2025
Accumulated other comprehensive income (loss) at January 1	**$ 205,018**	$ (28,451)
Actuarial losses	**(1,215)**	-
Other comprehensive loss, net of tax	**(1,215)**	-
Accumulated other comprehensive income (loss) at September 30	**$ 203,803**	$ (28,451)

NOTE 5 — INCOME TAXES:

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

NOTE 6 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 14 in the 2025 Annual Report to Stockholders for a more complete description.

Assets measured at fair value on a nonrecurring basis for each of the fair value measurements that are triggered by particular circumstances such as impaired assets, for each of the fair value hierarchy values are summarized below. The Association did not have liabilities measured at fair value on a nonrecurring basis.

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

December 31, 2025	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	$ -	$ -	$ 74,707	$ 74,707
Other property owned	-	-	62,738	62,738

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

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs, as each collateral property is unique. The System associations utilize appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments**.**

Valuation Techniques

As more fully discussed in Note 14 to the 2025 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see the 2025 Annual Report to Stockholders.

Loans Evaluated for Impairment

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

Other Property Owned

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

Cash

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

Loans

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

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

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

NOTE 7 — EMPLOYEE BENEFIT PLANS:

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

	Other Benefits	
Three months ended September 30:	**2026**	2025
Service cost	**$ 4,359**	$ 5,123
Interest cost	**26,945**	28,008
Amortization of net actuarial gain	**(405)**	-
Net periodic benefit cost	**$ 30,899**	$ 33,131

	Other Benefits	
Nine Months Ended September 30:	**2026**	2025
Service cost	**$ 13,070**	$ 15,371
Interest cost	**80,831**	84,023
Amortization of net actuarial gain	**(1,215)**	-
Net periodic benefit cost	**$ 92,686**	$ 99,394

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2026, was $2,009,854 and is included in other liabilities on the Consolidated Balance Sheets.

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

The structure of the District's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association previously disclosed in its consolidated financial statements for the year ended December 31, 2025, that it expected to contribute $81,505 to the District's defined benefit pension plan in 2026. As of September 30, 2026, $89,480 contributions have been made. The Association presently anticipates contributing an additional $34,097 to fund the defined benefit pension plan in 2026 for a total of $123,577.

NOTE 8 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

NOTE 9 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through November 6, 2026, which is the date the consolidated financial statements were issued. There are no other significant events requiring disclosure as of November 6, 2026.