

**AGTRUST, ACA**

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**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/ Joe H. Hayman  
Joe H. Hayman, Chief Executive Officer

August 8, 2025

/s/ Nicholas Acosta  
Nicholas Acosta, Chief Financial Officer

August 8, 2025

/s/ Brent Neuhaus  
Brent Neuhaus, Chairman, Board of Directors

August 8, 2025

/s/ David Conrad  
David Conrad, Chairman, Audit Committee

August 8, 2025

# ***Second Quarter 2025 Financial Report***

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## AGTRUST, ACA MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of AgTrust, ACA, including its wholly owned subsidiaries AgTrust, FLCA and AgTrust, PCA, 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.

Since 1917, the Association and its predecessors have provided its members with quality financial services. The Board and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

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.

During the 2025 Director and 2026 Nominating Committee election process, it was discovered that a population of ineligible stockholders received voting ballots and certain eligible stockholders received more than one voting ballot (ineligible ballots). Association management identified the cause of the ineligible ballot distribution and put controls in place to prevent the situation from occurring in the future. The independent tabulation firm, Survey & Ballots Systems, Inc. (SBS), was able to isolate the ineligible ballots and exclude them from the vote tabulation. The accuracy of the election results was certified by SBS.

### **Patronage Distributions by Association:**

In December 2024, the Board declared a cash patronage in the amount of \$32,187,196 paid in March 2025, based on 2024 patronage-sourced earnings. Patronage was paid to eligible borrowers based on their net interest margin of all patronage transactions outstanding for the year ending December 31, 2024.

### **Patronage Distributions Received from the Farm Credit Bank of Texas (FCBT or Bank):**

On a monthly basis the Association accrues income for the direct loan earnings patronage it expects to receive in December of each year from FCBT. The distribution of the direct loan earnings patronage is at the discretion of the FCBT. The Association's accrual rate is based on historical information and expectations set forth in the FCBT's annual strategic business plan.

Effective 2024, the FCBT has implemented a sustainable growth charge that reduces the direct loan earnings patronage by 25 basis points. In December 2024, the Association received a direct loan patronage of \$8,864,362 from the FCBT, representing 34.47 basis points on the average daily balance of the Association's direct loan with the FCBT after the 25 basis point sustainable growth charge.

The FCBT requires a minimum stock investment of the Association's average outstanding balance of borrowings from the Bank. Historically, the FCBT has paid patronage on the Association's stock investment to offset effective opportunity cost with the investment requirement. Effective in 2024, the Bank is no longer paying patronage on this investment, effectively reducing their patronage distribution to the Association. Effective March 2025, the minimum stock investment requirement was increased from 2.0 percent of the average outstanding balance of borrowings from the Bank as determined annually to 2.5 percent determined on a semi-annual basis.

The following table provides information on the patronage distribution received from the FCBT for the year ended December 31, 2024:

	<b>2024</b>
Direct loan patronage	<b>\$ 8,864,362</b>
Participation's patronage	<b>1,326,371</b>
Capitalized participation pool	<b>80,769</b>
Agricultural mortgage backed securities investment patronage	<b>44,904</b>
Total Patronage Received	<b><u>\$ 10,316,406</u></b>

## Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners, and certain farm-related businesses. These loan products are available to eligible borrowers with competitive variable, fixed, and adjustable interest rates. Commercial loans primarily consist of operating loans and short-term loans for working capital, equipment, and livestock. Mortgage loans primarily consist of 5- to 30-year maturities. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower. The Association's loan portfolio consists of long-term farm mortgage loans, production and intermediate-term loans, farm-related business loans, rural residential and rural infrastructure loans through purchased participations.

Total loans outstanding at June 30, 2025, including nonaccrual loans, were \$3,137,575,068 compared to \$3,057,183,145 at December 31, 2024, reflecting an increase of 2.6 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.4 percent at June 30, 2025, compared to 0.0 percent at December 31, 2024.

The Association recorded \$492 in recoveries and no charge-offs for the three months ended June 30, 2025, and \$100 in recoveries and \$1,327,244 in charge-offs for the same period in 2024. The Association recorded \$692 in recoveries and no charge-offs for the six months ended June 30, 2025, and \$3,746 in recoveries and \$1,327,244 in charge-offs for the same period in 2024. The Association's allowance for loan losses was 0.2 percent and 0.2 percent of total loans outstanding as of June 30, 2025, and December 31, 2024, respectively.

## Risk Exposure:

Nonperforming 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 nonperforming assets.

	June 30, 2025		December 31, 2024	
	Amount	%	Amount	%
Nonaccrual loans	\$ 12,475,735	91.9%	\$ 1,483,442	46.8%
90 days past due and still accruing interest	-	0.0%	109,204	3.4%
Other property owned, net	1,107,128	8.1%	1,579,844	49.8%
Total	<u>\$ 13,582,863</u>	<u>100.0%</u>	<u>\$ 3,172,490</u>	<u>100.0%</u>

The change in nonperforming assets is primarily driven by one customer relationship totaling \$9,942,292 transitioning to nonaccrual status during the quarter ended March 31, 2025, as a result of delinquency of payment.

## Results of Operations:

The Association had net income of \$15,140,497 and \$31,605,583 for the three and six months ended June 30, 2025, as compared to net income of \$18,031,190 and \$32,007,748 for the same period in 2024, reflecting a decrease of 16.0 percent and 1.3 percent, respectively. Net interest income was \$21,939,129 and \$44,274,243 for the three and six months ended June 30, 2025, compared to \$22,147,178 and \$43,286,518 for the same period in 2024, reflecting a decrease of 0.9 percent and increase of 2.3 percent, respectively.

Six Months Ended:				
June 30, 2025		June 30, 2024		
	Average Balance	Interest	Average Balance	Interest
Loans	\$ 3,072,258,810	\$ 100,120,196	\$ 2,907,003,969	\$ 94,397,439
Total interest-earning assets	3,072,258,810	100,120,196	2,907,003,969	94,397,439
Interest-bearing liabilities	2,634,369,106	55,845,953	2,481,003,084	51,110,921
Impact of capital	\$ 437,889,703		\$ 426,000,885	
Net interest income		\$ 44,274,243		\$ 43,286,518

  

2025		2024	
Average Yield		Average Yield	
Yield on loans	6.57%		6.53%
Total yield on interest-earning assets	6.57%		6.53%
Cost of interest-bearing liabilities	4.27%		4.14%
Interest rate spread	2.30%		2.39%

Six Months Ended:			
June 30, 2025 vs. June 30, 2024			
	Increase due to		
	Volume	Rate	Total
Interest income - loans	\$ 5,351,387	\$ 371,370	\$ 5,722,757
Interest expense	3,150,713	1,584,319	4,735,032
Net interest income	\$ 2,200,674	\$ (1,212,949)	\$ 987,725

Interest income for the three and six months ended June 30, 2025, increased by \$2,163,135 and \$5,722,757, or 4.5 percent and 6.1 percent, from the same periods of 2024, primarily due to increases in yields on interest-earning assets and an increase in average interest-earning assets. Interest expense for the three and six months ended June 30, 2025, increased by \$2,371,184 and \$4,735,032, or 9.1 percent and 9.3 percent, from the same periods of 2024 due to an increase in the cost of interest-bearing debt and an increase in interest-bearing liabilities. Average interest-earning assets for the second quarter of 2025 was \$3,085,015,098, compared to \$2,937,168,575 in the second quarter of 2024. The average net interest rate spread on the loan portfolio for the second quarter of 2025 was 2.25 percent, compared to 2.44 percent in the second quarter of 2024.

The Association's return on average assets for the six months ended June 30, 2025, was 2.00 percent compared to 2.15 percent for the same period in 2024. The Association's return on average equity for the six months ended June 30, 2025, was 12.73 percent, compared to 13.57 percent for the same period in 2024.

Noninterest income for the three and six months ended June 30, 2025, decreased by \$112,349 and increased by \$877,677, or 3.4 percent and 15.0 percent, from the same periods in 2024. The three-month ended period decrease was primarily due to the timing of when the Association received excess insured funds balances in the Allocated Insurance Reserve Accounts (AIRPs) from the Farm Credit System Insurance Corporation (FCSIC). The Association received a refund of \$491,473 in the first quarter of 2025 and a prior year refund of \$809,576 in the second quarter of 2024. This decrease in the three months ended June 30, 2025, was partially offset by a \$750,000 increase in the direct loan earnings patronage accrual income from the FCBT resulting from a year-over-year increase of average outstanding borrowings from the FCBT and an accrual rate based on expectations set forth in the FCBT's annual strategic business plan. The increase on noninterest income for the six months ended June 30, 2025, from the same period in 2024 was primarily due to an increase of \$1,262,430 in the direct loan patronage accrual income offset by the \$318,103 decrease in the FCSIC excess funds received mentioned above.

Noninterest expenses for the three and six months ended June 30, 2025, increased by \$817,287 and \$1,350,519, or 8.9 percent and 7.4 percent from the same periods in 2024, primarily due to planned increases in the Association's operating budget as set forth in the Association's strategic business plan.

Provision for credit losses for the three and six months ended June 30, 2025, increased by \$1,761,103 and \$921,262, or 101.8 percent and 73.1 percent, from the same periods in 2024. During the second quarter of 2024, a capital markets relationship was transferred to other property owned. As part of this transfer, the specific allowance was reversed resulting in a significant provision for credit losses reversal. The reversal of provision for credit losses for the six months ended June 30, 2025, is due to reductions to the general reserve as historical loss analysis supported the adoption of a less punitive probability of default (PD) curve. The PD curve is updated on an annual basis to incorporate changes in internal default trends.

## Liquidity and Funding Sources:

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

	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Note payable to the FCBT	<b>\$ 2,704,875,977</b>	\$ 2,605,072,254
Accrued interest on note payable	<b>9,015,037</b>	8,702,836
Total	<b>\$ 2,713,891,014</b>	\$ 2,613,775,090

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2026. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of \$2,704,875,977 as of June 30, 2025, is recorded as a liability on the Association's consolidated balance sheet. The note carried a weighted average interest rate of 4.14 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 FCBT and related accrued interest payable since December 31, 2024, correlates directly with the overall increase in the Association's accrual loan volume for the period. The increase was also due to the Association's increased stock investment which increased Association borrowings. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were \$436,060,614 at June 30, 2025. The maximum amount the Association may borrow from the Bank as of June 30, 2025, was \$3,210,015,419 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2026, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

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 investment in the Bank of \$15,115,590 and was recorded in the first quarter of 2025.

## Capital Resources:

The Association's capital position increased by \$31,270,587 at June 30, 2025, compared to December 31, 2024. The Association's debt as a percentage of members' equity was 5.31:1 as of June 30, 2025, compared to 5.52:1 as of December 31, 2024.

Farm Credit Administration regulations require the Association to maintain minimums for various regulatory capital ratios. As of June 30, 2025, the Association exceeded all regulatory capital requirements.

## Economic Conditions:

The Association continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit in the midst of financial and macroeconomic volatility. Despite the challenging operating environment, credit quality at the Association has remained strong. Risk factors such as high production costs, elevated cost of debt and trade uncertainty are paramount drivers of credit quality.

The U.S. tariff landscape continues to be dynamic. The official deadline for the most recent round of negotiations of reciprocal tariff rates or new rates was extended from July 9, 2025 to August 1, 2025. The implementation of most of the new country-specific tariffs for nearly seventy countries (including the European Union, Japan and India) is expected to start on August 7, 2025. In the case of China, the tariff pause was extended until August 12, 2025. Canada and Mexico trade remains largely governed by the United States-Mexico-Canada (USMCA) agreement, mostly tariff-free, but different tariffs apply to products outside the USMCA agreement. A 35 percent tariff has been implemented on most Canadian goods that are not part of the USMCA agreement, while Mexico has been granted a 90-day reprieve on higher tariffs to allow for further negotiation.

The percentage change in the Consumer Price Index (inflation) for All Urban Consumers increased month-over-month (MOM) in the last two months through June 2025. However, inflation declined year-over-year (YOY) from 3.0 percent in June 2024 to 2.7 percent in June 2025. Inflation remains above the Federal Reserve's long-term target of approximately 2.0 percent but has made progress YOY as well as from the peak of 9.1 percent reached in 2022. The Federal Open Market Committee has maintained the target federal funds range at 4.25 – 4.50 percent since late 2024.

On June 26, 2025, the U.S. Bureau of Economic Analysis released its third estimate of real gross domestic product (GDP) for the first quarter of 2025. Real GDP contracted at an annual rate of 0.5 percent, down from increases of 2.4 percent during the previous quarter and from 1.6 percent in the year-ago period. The deceleration in real GDP in the first quarter of 2025 primarily reflected an increase in imports, which are a subtraction in the calculation of GDP, and a decrease in government spending. These movements were partly offset by increases in investment and consumer spending. Texas' real GDP contracted at an annual rate of 0.1 percent in the first quarter while New Mexico declined by 2.1 percent.

The Bureau of Labor Statistics announced on July 3, 2025, that the U.S. unemployment rate was 4.1 percent in June 2025, slightly down from 4.2 percent reached since March 2025 but higher than the year-ago rate of 4.0 percent. June 2025 state unemployment rates in Texas and New Mexico remained relatively stable YOY at 4.0 percent and 4.2 percent, respectively.

The quarterly average spot price of West Texas Intermediate (WTI) crude oil decreased quarter over quarter (QOQ) by about 10.0 percent and YOY by more than 20.0 percent through June 2025. The Energy Information Administration's July 2025 Short Term Energy Outlook indicates that the WTI crude oil spot price will average about \$65 per barrel in 2025 and nearly \$55 per barrel in 2026. The crude oil price is expected to decline due to factors such as rising global oil inventories and reduced geopolitical tensions in the Middle East. The July 2025 edition of S&P Global Agricultural Commodity Price Watch estimated that U.S. average farm prices of key Texas crops (e.g., cotton, corn, soybeans and wheat) were mixed in the second quarter of 2025. Average corn, soybeans and cotton farm prices increased QOQ by less than 3.0 percent while the wheat farm price is estimated to have remained steady during the second quarter of 2025. YOY, the average farm price of corn is estimated to have increased in the second quarter of 2025. The average prices of soybeans and cotton experienced double digit YOY price decreases. Quarterly average cattle and broiler prices were estimated to have increased QOQ and YOY through June 2025, as demand remains strong and supply is tight. However, barrows and gilts prices declined QOQ and YOY. Regarding dairy prices, the quarterly average farm-level milk price was estimated to have decreased by close to 10.0 percent QOQ and nearly 3.0 percent YOY. Weaker domestic demand, especially for fluid milk and cream products, and an export slowdown coupled with higher output (supply) associated with favorable weather in key dairy regions led to higher per-cow productivity and lower prices. In terms of lumber, the quarterly average front-month random length lumber futures price decreased QOQ through June 2025, but increased YOY by around 30 percent.

On June 30, 2025, the U.S. Department of Agriculture (USDA) released its 2025 Acreage report. Corn acreage in Texas is up by 7 percent in 2025. The Texas and New Mexico soybean planted area is estimated to be down by about 9 percent in 2025. The Texas and New Mexico wheat area planted is estimated to remain steady in 2025; however, the area harvested is forecasted to decline by more than 25 percent. The cotton area planted in Texas is estimated to decline by at least 4 percent. Overall, estimates from the June 2025 Acreage report indicate that farmers are planting more corn but fewer soybeans, wheat, and cotton acres than last year. These estimates are derived via a USDA survey conducted from May 30, 2025, to June 16, 2025, and are subject to change throughout the season.

The combined Drought Monitor for Texas and New Mexico as of July 15, 2025, indicates that drought conditions categorized as severe, extreme and exceptional considerably improved from the prior quarter. The drought area in these three categories improved during the first half of July 2025, while it deteriorated over the same period last year. However, drought in these three categories remains considerably above the year-ago period (i.e., near 22 percent this year compared to less than 15 percent last year).

The Association's loan portfolio is well-supported by industry diversification and conservative advance rates. Additionally, a high percentage of the borrowers primarily rely on non-farm sources of income to repay their loans.

### **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 FCBT. The financial condition and results of operations of the FCBT 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 to stockholders more fully describe the Association's relationship with the Bank.

The annual and quarterly stockholder reports of the FCBT 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 are also available on its website at [www.farmcreditbank.com](http://www.farmcreditbank.com).



The Association's annual and quarterly stockholder reports are also available free of charge, upon request. The annual and quarterly stockholder reports are available approximately 75 days after year end and 40 days after quarter end, respectively, and can be obtained by writing to AgTrust, ACA, 5600 Clearfork Main Street, Suite 600, Fort Worth, Texas 76109 or calling (817) 332-6565. The annual and quarterly stockholder reports for the Association are also available on its website at [www.AgTrustACA.com](http://www.AgTrustACA.com). Copies of the reports can also be requested by e-mailing [ShareHolderRelations@AgTrustACA.com](mailto:ShareHolderRelations@AgTrustACA.com).

**AGTRUST, ACA**

**CONSOLIDATED BALANCE SHEETS**

	June 30, 2025 (unaudited)	December 31, 2024
<b><u>ASSETS</u></b>		
Cash	\$ 43,161	\$ 7,092
Loans	3,137,575,068	3,057,183,145
Less: allowance for credit losses on loans	(5,884,517)	(6,206,255)
Net loans	3,131,690,551	3,050,976,890
Accrued interest receivable	28,089,159	26,335,028
Investment in and receivable from the FCBT:		
Capital stock	68,270,286	53,159,846
Other	8,793,597	11,832,183
Other property owned, net	1,107,128	1,579,844
Premises and equipment	6,910,337	6,388,761
Other assets	12,715,567	12,939,903
Total assets	<u>\$ 3,257,619,786</u>	<u>\$ 3,163,219,547</u>
<b><u>LIABILITIES</u></b>		
Note payable to the FCBT	\$ 2,704,875,977	\$ 2,605,072,254
Advance conditional payments	132,717	388,381
Accrued interest payable	9,015,037	8,702,836
Drafts outstanding	182,255	57,811
Patronage distributions payable	-	32,187,196
Other liabilities	27,301,588	31,969,444
Total liabilities	<u>\$ 2,741,507,574</u>	<u>\$ 2,678,377,922</u>
<b><u>MEMBERS' EQUITY</u></b>		
Capital stock and participation certificates	\$ 6,291,165	\$ 6,245,530
Additional paid-in capital	123,813,880	123,813,880
Unallocated retained earnings	386,298,205	355,059,993
Accumulated other comprehensive loss	(291,038)	(277,778)
Total members' equity	516,112,212	484,841,625
Total liabilities and members' equity	<u>\$ 3,257,619,786</u>	<u>\$ 3,163,219,547</u>

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

AGTRUST, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
<b><u>INTEREST INCOME</u></b>				
Loans	\$ 50,499,387	\$ 48,336,252	\$ 100,120,196	\$ 94,397,439
Total interest income	50,499,387	48,336,252	100,120,196	94,397,439
<b><u>INTEREST EXPENSE</u></b>				
Note payable to the FCBT	28,558,197	26,185,119	55,831,436	51,103,071
Advance conditional payments	2,061	3,955	14,517	7,850
Total interest expense	28,560,258	26,189,074	55,845,953	51,110,921
Net interest income	21,939,129	22,147,178	44,274,243	43,286,518
<b><u>(REVERSAL OF) PROVISION FOR CREDIT LOSSES</u></b>	31,020	(1,730,083)	(339,149)	(1,260,411)
Net interest income after (reversal of) provision for credit losses	21,908,109	23,877,261	44,613,392	44,546,929
<b><u>NONINTEREST INCOME</u></b>				
Income from the FCBT:				
Patronage income	2,904,188	2,154,188	5,518,991	4,256,561
Loan fees	154,800	197,188	305,147	354,690
Refunds from Farm Credit System Insurance Corporation	-	809,576	491,473	809,576
Financially related services income	872	1,206	1,362	2,129
Gain on other property owned, net	-	933	-	933
Gain on sale of premises and equipment, net	48,131	85,425	83,146	178,895
Other noninterest income	101,216	73,040	323,888	243,546
Total noninterest income	3,209,207	3,321,556	6,724,007	5,846,330
<b><u>NONINTEREST EXPENSES</u></b>				
Salaries and employee benefits	5,443,316	5,216,067	11,071,343	10,433,248
Directors' expense	249,752	239,709	440,358	416,733
Purchased services	581,405	509,318	1,183,678	1,036,897
Travel	352,479	328,793	583,489	551,989
Occupancy and equipment	1,154,899	899,783	2,294,760	1,790,492
Communications	77,616	84,592	162,666	166,600
Advertising	334,590	195,682	403,897	371,894
Public and member relations	414,118	317,642	981,827	947,003
Supervisory and exam expense	222,003	237,630	444,006	475,261
Insurance fund premiums	633,172	603,256	1,256,035	1,177,809
Other components of net periodic postretirement benefit cost	78,922	75,015	157,844	150,029
Other noninterest expense	433,743	451,241	739,788	851,217
Total noninterest expenses	9,976,015	9,158,728	19,719,691	18,369,172
Income before income taxes	15,141,301	18,040,089	31,617,708	32,024,087
Provision for income taxes	804	8,899	12,125	16,339
<b><u>NET INCOME</u></b>	15,140,497	18,031,190	31,605,583	32,007,748
Other comprehensive income:				
Change in postretirement benefit plans	(6,630)	(6,630)	(13,260)	(13,260)
<b><u>COMPREHENSIVE INCOME</u></b>	\$ 15,133,867	\$ 18,024,560	\$ 31,592,323	\$ 31,994,488

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

AGTRUST, ACA

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY  
(unaudited)

	Capital Stock/ Participation Certificates	Additional Paid-in-Capital	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2023	\$ 6,213,280	\$ 124,213,961	\$ -	\$ 328,157,542	\$ 35,125	\$ 458,619,908
Comprehensive income	-	-	-	32,007,751	(13,260)	31,994,491
Capital stock/participation certificates issued	300,645	-	-	-	-	300,645
Capital stock/participation certificates retired	(269,245)	-	-	-	-	(269,245)
Dividends declared	-	-	-	(255,107)	-	(255,107)
Balance at June 30, 2024	<u>\$ 6,244,680</u>	<u>\$ 124,213,961</u>	<u>\$ -</u>	<u>\$ 359,910,186</u>	<u>\$ 21,865</u>	<u>\$ 490,390,692</u>
Balance at December 31, 2024	\$ 6,245,530	\$ 123,813,880	\$ -	\$ 355,059,993	\$ (277,778)	\$ 484,841,625
Comprehensive income	-	-	-	31,605,583	(13,260)	31,592,323
Capital stock/participation certificates issued	432,665	-	-	-	-	432,665
Capital stock/participation certificates retired	(387,030)	-	-	-	-	(387,030)
Dividends declared	-	-	-	(367,371)	-	(367,371)
Balance at June 30, 2025	<u>\$ 6,291,165</u>	<u>\$ 123,813,880</u>	<u>\$ -</u>	<u>\$ 386,298,205</u>	<u>\$ (291,038)</u>	<u>\$ 516,112,212</u>

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

**AGTRUST, ACA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(UNAUDITED)

**NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:**

AgTrust, ACA, including its wholly owned subsidiaries, AgTrust, PCA and AgTrust, FLCA (collectively called the “Association”), is a member-owned cooperative that provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural and rural purposes in the counties of Bell, Borden, Bosque, Bowie, Burnet, Camp, Cass, Cochran, Cooke, Coryell, Dallas, Delta, Denton, Eastland, Ellis, Erath, Falls, Fannin, Fisher, Freestone, Grayson, Hamilton, Hill, Hood, Johnson, Kent, Lamar, Lampasas, Limestone, McLennan, Milam, Mitchell, Morris, Navarro, Nolan, Palo Pinto, Parker, Red River, Scurry, Shackelford, Somervell, Stephens, Tarrant, Taylor, Throckmorton, Titus, Williamson, Wise and Young in the state of Texas, and all counties in the state of New Mexico with the exception of San Juan County and a portion of Rio Arriba County lying west of the Continental Divide. The Association is a lending institution of the Farm Credit 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 accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and 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 Accounting Standards Update (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. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association’s financial condition, results of operations or cash flows.

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

A summary of loans follows:

Loan Type	June 30, 2025	December 31, 2024
	Amount	Amount
Production agriculture:		
Real estate mortgage	\$ 2,464,052,254	\$ 2,422,443,376
Production and intermediate-term	250,995,983	251,979,243
Agribusiness:		
Loans to cooperatives	20,197,858	10,772,567
Processing and marketing	239,525,669	198,526,087
Farm-related business	51,158,636	53,547,454
Communication	35,681,414	41,141,056
Energy	36,612,082	38,966,911
Water and wastewater	9,029,048	10,131,879
Rural residential real estate	14,295,585	13,408,476
International	15,100,835	15,265,890
Lease receivables	925,704	1,000,206
Total	<u>\$ 3,137,575,068</u>	<u>\$ 3,057,183,145</u>

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

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

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 46,080,535	\$ 202,537,685	\$ 3,759,515	\$ -	\$ 49,840,050	\$ 202,537,685
Production and intermediate-term	61,361,207	66,232,850	-	-	61,361,207	66,232,850
Agribusiness	218,462,397	14,296,027	3,675,500	1,232,987	222,137,897	15,529,014
Communication	35,681,414	-	-	-	35,681,414	-
Energy	36,612,082	-	-	-	36,612,082	-
Water and wastewater	9,029,048	-	-	-	9,029,048	-
International	15,100,835	-	-	-	15,100,835	-
Lease receivables	925,704	-	-	-	925,704	-
Total	<u>\$ 423,253,222</u>	<u>\$ 283,066,561</u>	<u>\$ 7,435,015</u>	<u>\$ 1,232,987</u>	<u>\$ 430,688,237</u>	<u>\$ 284,299,549</u>

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. The Association held \$21,000,679 and \$17,155,263 in funds which are netted against the loan balance at June 30, 2025, and December 31, 2024, respectively. Unrestricted advance conditional payments are included in liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of unrestricted ACPs were \$132,717 and \$388,381 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 our outstanding loans, letters of credit and unfunded loan commitments. The Association manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower’s credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower’s ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, institutions that make loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85 percent of the original appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The Association uses a two-dimensional 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,

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	99%	99%
OAEM	0%	0%
Substandard	1%	1%
	<u>100%</u>	<u>100%</u>
Production and intermediate-term		
Acceptable	98%	97%
OAEM	1%	2%
Substandard	1%	1%
	<u>100%</u>	<u>100%</u>
Loan to cooperatives		
Acceptable	100%	100%
OAEM	0%	0%
Substandard	0%	0%
	<u>100%</u>	<u>100%</u>
Processing and marketing		
Acceptable	90%	93%
OAEM	8%	5%
Substandard	2%	2%
	<u>100%</u>	<u>100%</u>
Farm-related business		
Acceptable	100%	100%
OAEM	0%	0%
Substandard	0%	0%
	<u>100%</u>	<u>100%</u>
Communication		
Acceptable	100%	100%
OAEM	0%	0%
Substandard	0%	0%
	<u>100%</u>	<u>100%</u>
Energy		
Acceptable	100%	100%
OAEM	0%	0%
Substandard	0%	0%
	<u>100%</u>	<u>100%</u>
Water and wastewater		
Acceptable	100%	100%
OAEM	0%	0%
Substandard	0%	0%
	<u>100%</u>	<u>100%</u>
Rural residential real estate		
Acceptable	99%	100%
OAEM	0%	0%
Substandard	1%	0%
	<u>100%</u>	<u>100%</u>
International		
Acceptable	100%	100%
OAEM	0%	0%
Substandard	0%	0%
	<u>100%</u>	<u>100%</u>
Lease Receivables		
Acceptable	100%	100%
OAEM	0%	0%
Substandard	0%	0%
	<u>100%</u>	<u>100%</u>
Total loans		
Acceptable	98%	99%
OAEM	1%	1%
Substandard	1%	0%
	<u>100%</u>	<u>100%</u>



Accrued interest receivable on loans of \$28,089,159 and \$26,335,028 at June 30, 2025, and December 31, 2024, have been excluded from the amortized cost of loans and reported separately in the consolidated balance sheet. The Association did not write off any accrued interest receivable during the three and six months ended June 30, 2025, and 2024.

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
<b>Nonaccrual loans:</b>		
Real estate mortgage	\$ 11,946,147	\$ 930,581
Production and intermediate-term	410,663	512,812
Rural residential real estate	118,925	40,049
Total nonaccrual loans	12,475,735	1,483,442
<b>Accruing loans 90 days or more past due:</b>		
Real estate mortgage	-	109,204
Total accruing loans 90 days or more past due	-	109,204
<b>Other property owned</b>	1,107,128	1,579,844
<b>Total nonperforming assets</b>	<b>\$ 13,582,863</b>	<b>\$ 3,172,490</b>
Nonaccrual loans as a percentage of total loans	0.4%	0.0%
Nonperforming assets as a percentage of total loans and other property owned	0.4%	0.1%
Nonperforming assets as a percentage of capital	2.6%	0.7%

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 Three Months Ended June 30, 2025	For the Six Months Ended June 30, 2025
<b>Nonaccrual loans:</b>					
Real estate mortgage	\$ 318,864	\$ 11,627,283	\$ 11,946,147	\$ 2,772	\$ 17,968
Production and intermediate-term	-	410,663	410,663	-	14,596
Rural residential real estate	-	118,925	118,925	1,500	3,993
Total nonaccrual loans	\$ 318,864	\$ 12,156,871	\$ 12,475,735	\$ 4,272	\$ 36,557

  

	December 31, 2024			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended June 30, 2024	For the Six Months Ended June 30, 2024
<b>Nonaccrual loans:</b>					
Real estate mortgage	\$ -	\$ 930,581	\$ 930,581	\$ 553,594	\$ 561,784
Production and intermediate-term	81,804	431,008	512,812	-	-
Rural residential real estate	-	40,049	40,049	1,370	3,036
Total nonaccrual loans	\$ 81,804	\$ 1,401,638	\$ 1,483,442	\$ 554,964	\$ 564,820

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

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
<b>June 30, 2025</b>						
Real estate mortgage	\$ 24,643,146	\$ 1,466,051	\$ 26,109,197	\$ 2,437,943,057	\$ 2,464,052,255	\$ -
Production and intermediate-term	470,902	319,489	790,391	250,205,592	250,995,982	-
Loans to cooperatives	-	-	-	20,197,858	20,197,858	-
Processing and marketing	-	-	-	239,525,669	239,525,669	-
Farm-related business	-	-	-	51,158,636	51,158,636	-
Communication	-	-	-	35,681,414	35,681,414	-
Energy	-	-	-	36,612,082	36,612,082	-
Water and wastewater	-	-	-	9,029,048	9,029,048	-
Rural residential real estate	199,836	78,316	278,152	14,017,433	14,295,585	-
International	-	-	-	15,100,835	15,100,835	-
Lease receivables	-	-	-	925,704	925,704	-
Total	<u>\$ 25,313,884</u>	<u>\$ 1,863,856</u>	<u>\$ 27,177,740</u>	<u>\$ 3,110,397,328</u>	<u>\$ 3,137,575,068</u>	<u>\$ -</u>
<b>December 31, 2024</b>						
Real estate mortgage	\$ 15,035,360	\$ 109,204	\$ 15,144,564	\$ 2,407,298,812	\$ 2,422,443,376	\$ 109,204
Production and intermediate-term	231,040	401,293	632,333	251,346,910	251,979,243	-
Loans to cooperatives	-	-	-	10,772,567	10,772,567	-
Processing and marketing	-	-	-	198,526,087	198,526,087	-
Farm-related business	-	-	-	53,547,454	53,547,454	-
Communication	-	-	-	41,141,056	41,141,056	-
Energy	-	-	-	38,966,911	38,966,911	-
Water and wastewater	-	-	-	10,131,879	10,131,879	-
Rural residential real estate	-	-	-	13,408,476	13,408,476	-
International	-	-	-	15,265,890	15,265,890	-
Lease receivables	-	-	-	1,000,206	1,000,206	-
Total	<u>\$ 15,266,400</u>	<u>\$ 510,497</u>	<u>\$ 15,776,897</u>	<u>\$ 3,041,406,248</u>	<u>\$ 3,057,183,145</u>	<u>\$ 109,204</u>

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the 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 2025, the following table shows the amortized cost basis of the outstanding balances reflected in the consolidated balance sheet as of June 30, 2025, disaggregated by loan type and type of modification granted.

<b>For the Three Months Ended June 30, 2025</b>	<b>Production and intermediate-term</b>		
	Amortized Cost Basis	% of Total Loans	Financial Effect of Loan Modifications
Payment Deferral	\$ 134,723	0%	Provided 10-month payment deferral with delayed amounts added to loan maturity.
Total	<u>\$ 134,723</u>		
<b>For the Six Months Ended June 30, 2025</b>	<b>Production and intermediate-term</b>		
	Amortized Cost Basis	% of Total Loans	Financial Effect of Loan Modifications
Payment Deferral	\$ 134,723	0%	Provided 10-month payment deferral with delayed amounts added to loan maturity.
Total	<u>\$ 134,723</u>		

The Association had no loan modifications to borrowers during the three and six months ended June 30, 2024, that have an active status or an amortized cost greater than zero.

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of the six months ended June 30, 2025, was \$15,025. There was no accrued interest receivable related to loan modifications to borrowers experiencing financial difficulty for the six months ended June 30, 2024.

There were no loans to borrowers experiencing financial difficulties that subsequently defaulted and that received a modification in the twelve months before default during the six months ended June 30, 2025, and 2024, respectively.

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
Production and intermediate-term	\$ 134,723	\$ -	\$ 59,015
Agribusiness	360,978	-	-
Total	<u>\$ 495,701</u>	<u>\$ -</u>	<u>\$ 59,015</u>

There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the three and six months ended June 30, 2025.

## Allowance for Credit Losses

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

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

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water and wastewater	Rural Residential Real Estate	International	Lease Receivables	Total
<b>Allowance for credit losses on loans:</b>										
Balance at March 31, 2025	\$ 4,624,193	\$ 240,440	\$ 878,051	\$ 66,736	\$ 32,692	\$ 9,291	\$ 26,586	\$ 8,902	\$ 142	\$ 5,887,033
Recoveries	-	-	492	-	-	-	-	-	-	492
(Reversal of) provision for credit losses on loans	(282,515)	(43,712)	339,019	(2,242)	(16,106)	925	1,952	(302)	(27)	(3,008)
Balance at June 30, 2025	<u>\$ 4,341,678</u>	<u>\$ 196,728</u>	<u>\$ 1,217,562</u>	<u>\$ 64,494</u>	<u>\$ 16,586</u>	<u>\$ 10,216</u>	<u>\$ 28,538</u>	<u>\$ 8,600</u>	<u>\$ 115</u>	<u>\$ 5,884,517</u>
<b>Allowance for credit losses on unfunded commitments:</b>										
Balance at March 31, 2025	\$ 72,603	\$ 41,904	\$ 85,077	\$ 267	\$ 329	\$ 1,823	\$ -	\$ 4,785	\$ -	\$ 206,788
Provision for (reversal of) credit losses on unfunded commitments	23,222	(6,451)	18,666	(22)	130	(493)	-	(1,024)	-	34,028
Balance at June 30, 2025	<u>\$ 95,825</u>	<u>\$ 35,453</u>	<u>\$ 103,743</u>	<u>\$ 245</u>	<u>\$ 459</u>	<u>\$ 1,330</u>	<u>\$ -</u>	<u>\$ 3,761</u>	<u>\$ -</u>	<u>\$ 240,816</u>
<b>Total allowance for credit losses:</b>	<u>\$ 4,437,503</u>	<u>\$ 232,181</u>	<u>\$ 1,321,305</u>	<u>\$ 64,739</u>	<u>\$ 17,045</u>	<u>\$ 11,546</u>	<u>\$ 28,538</u>	<u>\$ 12,361</u>	<u>\$ 115</u>	<u>\$ 6,125,333</u>
	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water and wastewater	Rural Residential Real Estate	International	Lease Receivables	Total
<b>Allowance for credit losses on loans:</b>										
Balance at December 31, 2024	\$ 4,829,360	\$ 306,223	\$ 930,091	\$ 71,891	\$ 21,492	\$ 9,415	\$ 27,811	\$ 9,797	\$ 175	\$ 6,206,255
Charge-offs	-	-	-	-	-	-	-	-	-	-
Recoveries	-	-	692	-	-	-	-	-	-	692
(Reversal of) provision for credit losses on loans	(487,682)	(109,495)	286,779	(7,397)	(4,906)	801	727	(1,197)	(60)	(322,430)
Balance at June 30, 2025	<u>\$ 4,341,678</u>	<u>\$ 196,728</u>	<u>\$ 1,217,562</u>	<u>\$ 64,494</u>	<u>\$ 16,586</u>	<u>\$ 10,216</u>	<u>\$ 28,538</u>	<u>\$ 8,600</u>	<u>\$ 115</u>	<u>\$ 5,884,517</u>
<b>Allowance for credit losses on unfunded commitments:</b>										
Balance at December 31, 2024	\$ 73,752	\$ 49,104	\$ 121,740	\$ 3,227	\$ 992	\$ 2,667	\$ -	\$ 6,053	\$ -	\$ 257,535
Provision for (reversal of) credit losses on unfunded commitments	22,073	(13,651)	(17,997)	(2,982)	(533)	(1,337)	-	(2,292)	-	(16,719)
Balance at June 30, 2025	<u>\$ 95,825</u>	<u>\$ 35,453</u>	<u>\$ 103,743</u>	<u>\$ 245</u>	<u>\$ 459</u>	<u>\$ 1,330</u>	<u>\$ -</u>	<u>\$ 3,761</u>	<u>\$ -</u>	<u>\$ 240,816</u>
<b>Total allowance for credit losses:</b>	<u>\$ 4,437,503</u>	<u>\$ 232,181</u>	<u>\$ 1,321,305</u>	<u>\$ 64,739</u>	<u>\$ 17,045</u>	<u>\$ 11,546</u>	<u>\$ 28,538</u>	<u>\$ 12,361</u>	<u>\$ 115</u>	<u>\$ 6,125,333</u>

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water and wastewater	Rural Residential Real Estate	International	Lease Receivables	Total
<b>Allowance for credit losses on loans:</b>										
Balance at March 31, 2024	\$ 4,463,693	\$ 3,034,404	\$ 937,035	\$ 61,161	\$ 104,257	\$ 10,989	\$ 31,516	\$ 11,251	\$ 319	\$ 8,654,625
Charge-offs	-	(1,327,244)	-	-	-	-	-	-	-	(1,327,244)
Recoveries	-	-	100	-	-	-	-	-	-	100
Reversal of credit losses on loans	(129,224)	(1,469,324)	(84,678)	(3,075)	(7,974)	(891)	(1,036)	(653)	(39)	(1,696,894)
Balance at June 30, 2024	\$ 4,334,469	\$ 237,836	\$ 852,457	\$ 58,086	\$ 96,283	\$ 10,098	\$ 30,480	\$ 10,598	\$ 280	\$ 5,630,587
<b>Allowance for credit losses on unfunded commitments:</b>										
Balance at March 31, 2024	\$ 23,465	\$ 35,642	\$ 218,825	\$ 2,268	\$ 1,648	\$ 2,744	\$ -	\$ 8,910	\$ -	\$ 293,502
Provision for (reversal of) credit losses on unfunded commitments	1,259	952	(34,491)	90	106	(13)	-	(1,092)	-	(33,189)
Balance at June 30, 2024	\$ 24,724	\$ 36,594	\$ 184,334	\$ 2,358	\$ 1,754	\$ 2,731	\$ -	\$ 7,818	\$ -	\$ 260,313
<b>Total allowance for credit losses:</b>	\$ 4,359,193	\$ 274,430	\$ 1,036,791	\$ 60,444	\$ 98,037	\$ 12,829	\$ 30,480	\$ 18,416	\$ 280	\$ 5,890,900

  

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communications	Energy	Water and wastewater	Rural Residential Real Estate	International	Lease Receivables	Total
<b>Allowance for credit losses on loans:</b>										
Balance at December 31, 2023	\$ 4,757,449	\$ 2,225,962	\$ 942,233	\$ 60,465	\$ 120,123	\$ 12,188	\$ 32,316	\$ 12,092	\$ 355	\$ 8,163,183
Charge-offs	-	(1,327,244)	-	-	-	-	-	-	-	(1,327,244)
Recoveries	-	-	3,746	-	-	-	-	-	-	3,746
Reversal of credit losses on loans	(422,980)	(664,182)	(90,222)	(2,379)	(23,840)	(2,090)	(1,836)	(1,494)	(75)	(1,209,098)
Balance at June 30, 2024	\$ 4,334,469	\$ 234,536	\$ 855,757	\$ 58,086	\$ 96,283	\$ 10,098	\$ 30,480	\$ 10,598	\$ 280	\$ 5,630,587
<b>Allowance for credit losses on unfunded commitments:</b>										
Balance at December 31, 2023	\$ 23,994	\$ 31,049	\$ 241,357	\$ 2,953	\$ 475	\$ 2,767	\$ -	\$ 9,031	\$ -	\$ 311,626
Provision for (reversal of) credit losses on unfunded commitments	730	5,545	(57,023)	(595)	1,279	(36)	-	(1,213)	-	(51,313)
Balance at June 30, 2024	\$ 24,724	\$ 36,594	\$ 184,334	\$ 2,358	\$ 1,754	\$ 2,731	\$ -	\$ 7,818	\$ -	\$ 260,313
<b>Total allowance for credit losses:</b>	\$ 4,359,193	\$ 271,130	\$ 1,040,091	\$ 60,444	\$ 98,037	\$ 12,829	\$ 30,480	\$ 18,416	\$ 280	\$ 5,890,900

## Discussion of Changes in Allowance for Credit Losses

The ACL decreased \$338,457 to \$6,125,333 at June 30, 2025, as compared to \$6,463,790 at December 31, 2024. This is primarily due to a historical loss analysis supporting the adoption of a less punitive probability of default (PD) curve in 2024. The PD curve is updated on an annual basis to incorporate changes in internal default trends.

The Association's macroeconomic forecasts includes a weighted average selection of a third-party vendor's economic scenarios over a reasonable and supportable forecast period of two years. The economic scenarios utilized in the 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 incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads.

## NOTE 3 —LEASES:

The components of lease expense were as follows:

Classification	For the Three Months Ended		For the Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Operating lease cost	\$ 425,102	\$ 243,977	\$ 846,750	\$ 468,575
Net lease cost	\$ 425,102	\$ 243,977	\$ 846,750	\$ 468,575

Other information related to leases was as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 310,357	\$ 186,227	\$ 620,713	\$ 401,799
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	143,200	23,057	374,713	23,057

Lease term and discount rate are as follows:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
Weighted average remaining lease term in years		
Operating leases	8.8	9.4
Weighted average discount rate		
Operating leases	3.9%	3.9%

Future minimum lease payments under non-cancellable leases as of June 30, 2025, were as follows:

	<u>Operating Leases</u>
2025	\$ 649,890
2026	1,453,732
2027	1,312,883
2028	1,301,348
2029	1,226,765
Thereafter	6,586,516
Total lease payments	<u>\$ 12,531,134</u>

#### NOTE 4 — CAPITAL:

The Association's Board of Directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the Association's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the Board of Directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an Association's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the Board.

#### Regulatory Capitalization Requirements

<u>Risk-adjusted:</u>	<u>Regulatory Minimums</u>	<u>Regulatory Minimums with Buffer</u>	<u>As of June 30, 2025</u>
Common equity tier 1 ratio	7.00%	7.00%	13.66%
Tier 1 capital ratio	8.50%	8.50%	13.66%
Total capital ratio	10.50%	10.50%	13.85%
Permanent capital ratio	7.00%	7.00%	13.69%
<u>Non-risk-adjusted:</u>			
Tier 1 leverage ratio	5.00%	5.00%	14.00%
UREE leverage ratio	1.50%	1.50%	13.80%

Risk-adjusted assets have been defined by FCA Regulations as the Statement of Condition assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets.

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

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

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvment, unallocated retained

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

- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- Total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, allocated equities held for a minimum of 5 years, subordinated debt, and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance, and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-adjusted assets.
- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.
- UREE leverage ratio is unallocated retained earnings, paid-in capital, allocated surplus not subject to revolvment less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions subject to tier 1 capital.

If the capital ratios fall below the minimum regulatory requirements, including the capital conservation and leverage buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary bonus payments to senior officers are restricted or prohibited without prior FCA approval.

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	\$ 310,121,421	\$ 310,121,421	\$ 310,121,421	\$ 310,121,421
Paid-in capital	123,813,880	123,813,880	123,813,880	123,813,880
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	6,279,367	6,279,367	6,279,367	6,279,367
Nonqualified allocated equities not subject to revolvment	65,733,966	65,733,966	65,733,966	65,733,966
Allowance for credit losses subject to certain limitations	-	-	6,096,320	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(68,272,112)	(68,272,112)	(68,272,112)	(68,272,112)
	<u>\$ 437,676,522</u>	<u>\$ 437,676,522</u>	<u>\$ 443,772,842</u>	<u>\$ 437,676,522</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$ 3,271,259,363	\$ 3,271,259,363	\$ 3,271,259,363	\$ 3,271,259,363
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(68,272,112)	(68,272,112)	(68,272,112)	(68,272,112)
Allowance for credit losses on loans	-	-	-	(5,888,018)
	<u>\$ 3,202,987,251</u>	<u>\$ 3,202,987,251</u>	<u>\$ 3,202,987,251</u>	<u>\$ 3,197,099,233</u>

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	\$ 310,121,421	\$ 310,121,421
Paid-in capital	123,813,880	123,813,880
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	6,279,367	-
Nonqualified allocated equities not subject to revolvment	65,733,966	65,733,966
Amount of allocated investments in other System institutions	(68,272,112)	(68,272,112)
	<u>\$ 437,676,522</u>	<u>\$ 431,397,155</u>
Denominator:		
Total Assets	3,197,529,425	3,197,529,425
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(71,360,443)	(71,360,443)
	<u>\$ 3,126,168,982</u>	<u>\$ 3,126,168,982</u>

	June 30, 2025	December 31, 2024
Capital stock and participation certificates	\$ 6,291,165	\$ 6,245,530
Additional paid-in-capital	123,813,880	123,813,880
Retained earnings	386,298,205	355,059,993
Accumulated other comprehensive income	(291,038)	(277,778)
Total capital	<u>\$ 516,112,212</u>	<u>\$ 484,841,625</u>

The Association's accumulated other comprehensive income relates entirely to its nonpension other postretirement benefits. The following table summarizes the change in accumulated other comprehensive income for the three months ended June 30, 2025:

	2025	2024
Accumulated other comprehensive (loss) income at January 1	\$ (277,778)	\$ 35,125
Amortization of prior service credits included in salaries and employee benefits	(13,260)	(13,260)
Other comprehensive loss	(13,260)	(13,260)
Accumulated other comprehensive (loss) income at June 30	<u>\$ (291,038)</u>	<u>\$ 21,865</u>

## NOTE 5 — INCOME TAXES:

AgTrust, 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. AgTrust, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, AgTrust, ACA can exclude from taxable income amounts distributed as qualified patronage 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. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized.

As of June 30, 2025, the deferred income tax valuation allowance was \$11,896,739.

## 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 2024 Annual Report to Stockholders for a more complete description.

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

<u>June 30, 2025</u>	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Assets held in non-qualified benefits trusts	<u>\$1,295,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,295,098</u>
Total assets	<u>\$1,295,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,295,098</u>
December 31, 2024				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Assets:				
Assets held in non-qualified benefits trusts	<u>\$ 974,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 974,997</u>
Total assets	<u>\$ 974,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 974,997</u>

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

<u>June 30, 2025</u>	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Loans	\$ -	\$ -	\$ 310,143	\$ 310,143
Other property owned	-	-	1,107,128	1,107,128
December 31, 2024				
	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Loans	\$ -	\$ -	\$ 60,748	\$ 60,748
Other property owned	-	-	1,579,844	1,579,844

## Valuation Techniques

As more fully discussed in Note 2 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.

### *Assets Held in Nonqualified Benefits Trusts*

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

### *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.

## NOTE 7 — EMPLOYEE BENEFIT PLANS:

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



**Three months ended June 30:**

	<b>Other Benefits</b>	
	<b>2025</b>	<b>2024</b>
Service cost	\$ 23,868	\$ 21,299
Interest cost	85,552	81,645
Amortization of prior service credits	(6,630)	(6,630)
Net periodic benefit cost	<u>\$ 102,790</u>	<u>\$ 96,314</u>

**Six months ended June 30:**

	<b>Other Benefits</b>	
	<b>2025</b>	<b>2024</b>
Service cost	\$ 47,736	\$ 42,598
Interest cost	171,104	163,289
Amortization of prior service credits	(13,260)	(13,260)
Net periodic benefit cost	<u>\$ 205,580</u>	<u>\$ 192,627</u>

The Association's liability for the unfunded accumulated obligation for these benefits at June 30, 2025, was \$6,622,324 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. As of June 30, 2025, \$239,145 of contributions have been made. As of June 30, 2025, the Association has expensed and recognized \$119,573.

**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 August 8, 2025, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of August 8, 2025.