



AgHeritage Farm Credit Services, ACA

Quarterly Report
June 30, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of AgHeritage Farm Credit Services, ACA and its subsidiaries, AgHeritage Farm Credit Services, FLCA and AgHeritage Farm Credit Services, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2024 (2024 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

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FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2024 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

We generally experienced good growing conditions and favorable harvest weather for the 2024 crop. Given these conditions, we generally had above average yields for crops grown in our area. However, recent crop prices relative to costs of production have caused cash flows to be strained for many borrowers. Expectations for the 2025 crop are similar to the prior year, and we expect most crop producers to have cash flow challenges if current conditions remain in place during 2025. Our borrowers generally had strong balance sheets going into this environment, which should continue to support credit quality. We do expect to have some decline in credit quality, but our expectations are that the decline will not be significant. Land values in our area are stable to higher.

LOAN PORTFOLIO

Loan Portfolio

Total loans were \$2.7 billion at June 30, 2025, an increase of \$215.5 million from December 31, 2024. The increase was primarily due to growth in the real estate mortgage and production and intermediate-term loan portfolios.

Portfolio Credit Quality

The credit quality of our portfolio declined slightly from December 31, 2024. Adversely classified loans increased to 2.7% of the portfolio at June 30, 2025, from 2.4% of the portfolio at December 31, 2024. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At June 30, 2025, \$30.2 million of our loans were substantially guaranteed under these government programs.

Nonperforming Assets

Components of Nonperforming Assets

(dollars in thousands)	June 30, 2025	December 31, 2024
As of:		
Loans:		
Nonaccrual	\$ 12,193	\$ 5,102
Accruing loans 90 days or more past due	--	--
Total nonperforming loans	12,193	5,102
Other property owned	239	446
Total nonperforming assets	\$ 12,432	\$ 5,548
Total nonperforming loans as a percentage of total loans	0.5%	0.2%
Nonaccrual loans as a percentage of total loans	0.5%	0.2%
Current nonaccrual loans as a percentage of total nonaccrual loans	46.4%	56.4%
Total delinquencies as a percentage of total loans ¹	0.8%	0.3%

¹Total delinquencies include accrual and nonaccrual loans 30 days or more past due.

Our nonperforming assets have increased from December 31, 2024, but remained at acceptable levels. Despite the increase in nonperforming assets, total nonperforming loans as a percentage of total loans were well within our established risk management guidelines.

The increase in nonaccrual loans was primarily due to several relationships with production and intermediate-term and real estate mortgage loans that transferred to nonaccrual during the period ended June 30, 2025. The increase was partially offset by payments received on relationships with agribusiness and production and intermediate-term loans during the period ended June 30, 2025. Nonaccrual loans remained at an acceptable level at June 30, 2025, and December 31, 2024.

The increase in total delinquencies as a percentage of total loans was primarily due to several production and intermediate-term relationships with multiple loans that became past due during the period ended June 30, 2025.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is an estimate of expected credit losses in our portfolio. We determine the appropriate level of allowance for credit losses on loans based on a disciplined process and methodology that incorporates expected probabilities of default and loss given default based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions.

Allowance for Credit Losses on Loans and Coverage Ratios

(dollars in thousands)	June 30, 2025	December 31, 2024
As of:		
Allowance for credit losses on loans	\$ 8,526	\$ 7,014
Allowance for credit losses on loans as a percentage of:		
Loans	0.3%	0.3%
Nonaccrual loans	69.9%	137.5%
Total nonperforming loans	69.9%	137.5%

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)	2025	2024
For the six months ended June 30,		
Net income	\$ 27,706	\$ 25,189
Return on average assets	2.1%	2.2%
Return on average members' equity	10.7%	10.6%

Changes presented in the profitability information table relate directly to:

- Changes in net income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands)				Increase (decrease) in net income
For the six months ended June 30,	2025	2024		
Net interest income	\$ 37,862	\$ 32,842	\$	5,020
Provision for credit losses	1,938	1,640		(298)
Non-interest income	8,002	8,510		(508)
Non-interest expense	15,662	14,030		(1,632)
Provision for income taxes	558	493		(65)
Net income	\$ 27,706	\$ 25,189	\$	2,517

Net Interest Income

Changes in Net Interest Income

(in thousands)	
For the six months ended June 30,	2025 vs 2024
Changes in volume	\$ 4,471
Changes in interest rates	(186)
Changes in nonaccrual interest income and other	735
Net change	\$ 5,020

Non-Interest Expense

The change in non-interest expense was primarily related to increases in loan servicing expense and salaries and employee benefits.

FUNDING, LIQUIDITY, AND CAPITAL

Our note payable was scheduled to mature on May 31, 2026. However, it was renewed early for \$3.0 billion with an origination date of May 1, 2025, and a maturity date of May 31, 2028. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. We also fund our portfolio from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at June 30, 2025, or December 31, 2024.

On May 16, 2025, Moody's Ratings lowered the U.S. sovereign's long-term issuer rating to Aa1 from Aaa. The outlook on the long-term debt rating of the U.S. was revised to stable from negative. On May 19, 2025, Moody's Ratings lowered long-term senior unsecured debt rating for the Farm Credit System to Aa1 from Aaa; the Prime-1 short-term rating was affirmed. The outlook on the long-term debt rating was revised to stable from negative. As a government-sponsored entity, the Farm Credit System benefits from the implicit government support and, therefore, the ratings are directly linked to the U.S. sovereign rating.

Moody's Ratings also affirmed AgriBank's long-term issuer rating of Aa3, and affirmed the stable long-term issuer rating outlook.

The reduction in the credit rating by Moody's Ratings for the Farm Credit System, could result in higher funding costs or disruptions in our access to the capital markets. However, to date we have noticed no significant impact as a result of this rating change.

Total members' equity increased \$21.9 million from December 31, 2024, primarily due to net income for the period and an increase in capital stock and participation certificates, partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 6 in our 2024 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	June 30, 2025	December 31, 2024	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	15.4%	15.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	15.4%	15.8%	6.0%	2.5%	8.5%
Total capital ratio	15.8%	16.1%	8.0%	2.5%	10.5%
Permanent capital ratio	15.5%	15.8%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	16.9%	17.1%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	16.7%	16.9%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 10 in our 2024 Annual Report.

CERTIFICATION

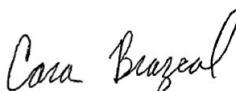
The undersigned have reviewed the June 30, 2025, Quarterly Report of AgHeritage Farm Credit Services, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Jerry Burkett
Chairperson of the Board
AgHeritage Farm Credit Services, ACA



Gregory W. Cole
President and Chief Executive Officer
AgHeritage Farm Credit Services, ACA



Cara Brazeal
Senior Vice President and Chief Financial Officer
AgHeritage Farm Credit Services, ACA

August 8, 2025

CONSOLIDATED STATEMENTS OF CONDITION

AgHeritage Farm Credit Services, ACA
(in thousands)

As of:	June 30, 2025	December 31, 2024
	(Unaudited)	
ASSETS		
Loans	\$ 2,650,776	\$ 2,435,283
Allowance for credit losses on loans	8,526	7,014
Net loans	2,642,250	2,428,269
Investment in AgriBank, FCB	83,828	83,828
Investment securities	--	23
Accrued interest receivable	37,652	47,847
Other assets	23,352	31,185
Total assets	\$ 2,787,082	\$ 2,591,152
LIABILITIES		
Note payable to AgriBank, FCB	\$ 2,225,527	\$ 2,048,804
Accrued interest payable	20,912	19,948
Patronage distribution payable	5,959	10,100
Other liabilities	9,104	8,613
Total liabilities	2,261,502	2,087,465
Contingencies and commitments (Note 3)		
MEMBERS' EQUITY		
Capital stock and participation certificates	3,720	3,594
Unallocated retained earnings	522,468	500,729
Accumulated other comprehensive loss	(608)	(636)
Total members' equity	525,580	503,687
Total liabilities and members' equity	\$ 2,787,082	\$ 2,591,152

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

AgHeritage Farm Credit Services, ACA

(in thousands)

(Unaudited)

For the period ended June 30,	Three Months Ended		Six Months Ended	
	2025	2024	2025	2024
Interest income	\$ 39,670	\$ 34,865	\$ 78,104	\$ 67,053
Interest expense	20,912	17,867	40,242	34,211
Net interest income	18,758	16,998	37,862	32,842
Provision for credit losses	1,182	717	1,938	1,640
Net interest income after provision for credit losses	17,576	16,281	35,924	31,202
Non-interest income				
Patronage income	2,009	2,741	3,901	5,227
Financially related services income	15	11	28	21
Fee income	1,783	1,186	3,153	2,475
Other non-interest income	41	688	920	787
Total non-interest income	3,848	4,626	8,002	8,510
Non-interest expense				
Salaries and employee benefits	3,558	3,413	7,476	6,903
Other operating expense	3,687	3,558	8,028	7,124
Other non-interest expense	11	3	158	3
Total non-interest expense	7,256	6,974	15,662	14,030
Income before income taxes	14,168	13,933	28,264	25,682
Provision for income taxes	280	360	558	493
Net income	\$ 13,888	\$ 13,573	\$ 27,706	\$ 25,189
Other comprehensive income				
Employee benefit plans activity	\$ 14	\$ 14	\$ 28	\$ 28
Total other comprehensive income	14	14	28	28
Comprehensive income	\$ 13,902	\$ 13,587	\$ 27,734	\$ 25,217

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

AgHeritage Farm Credit Services, ACA

(in thousands)

(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2023	\$ 3,632	\$ 462,378	\$ (618)	\$ 465,392
Net income	--	25,189	--	25,189
Other comprehensive income	--	--	28	28
Unallocated retained earnings designated for patronage distributions	--	(5,418)	--	(5,418)
Capital stock and participation certificates issued	224	--	--	224
Capital stock and participation certificates retired	(315)	--	--	(315)
Balance at June 30, 2024	\$ 3,541	\$ 482,149	\$ (590)	\$ 485,100
Balance at December 31, 2024	\$ 3,594	\$ 500,729	\$ (636)	\$ 503,687
Net income	--	27,706	--	27,706
Other comprehensive income	--	--	28	28
Unallocated retained earnings designated for patronage distributions	--	(5,967)	--	(5,967)
Capital stock and participation certificates issued	230	--	--	230
Capital stock and participation certificates retired	(104)	--	--	(104)
Balance at June 30, 2025	\$ 3,720	\$ 522,468	\$ (608)	\$ 525,580

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the six months ended June 30, 2025, are not necessarily indicative of the results to be expected for the year ending December 31, 2025. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2024 (2024 Annual Report).

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of AgHeritage Farm Credit Services, ACA and its subsidiaries AgHeritage Farm Credit Services, FLCA and AgHeritage Farm Credit Services, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standard to be applicable to our business. While we are a nonpublic business entity, our financial results are closely related to the performance of the combined Farm Credit System (System). Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In December 2023, the FASB issued Accounting Standards Update 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This guidance is effective for annual periods beginning after December 15, 2025. Early adoption is permitted.	This guidance requires more transparency about income tax information through improvements to income tax disclosures. The improvements applicable to our Association will require adding information by state jurisdiction to the rate reconciliation and income taxes paid disclosures.	We early adopted this standard for the year ended December 31, 2025. The adoption of this guidance is not expected to have a material impact on our financial statements, but will modify certain disclosures.

NOTE 2: LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Loans by Type

(dollars in thousands)

As of:	June 30, 2025		December 31, 2024	
	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	\$ 1,378,419	52.0%	\$ 1,252,316	51.5%
Production and intermediate-term	617,511	23.3%	577,509	23.7%
Agribusiness	543,864	20.5%	495,466	20.3%
Other	110,982	4.2%	109,992	4.5%
Total	\$ 2,650,776	100.0%	\$ 2,435,283	100.0%

The other category is primarily composed of rural infrastructure and rural residential real estate loans.

Throughout Note 2 accrued interest receivable on loans of \$37.7 million at June 30, 2025, and \$47.8 million at December 31, 2024, has been excluded from the amortized cost of loans and is presented in "Accrued interest receivable" in the Consolidated Statements of Condition.

Delinquency

Aging Analysis of Loans at Amortized Cost

(in thousands)	30-89 Days		90 Days or More		Not Past Due or Less Than 30 Days	
	Past Due	Past Due	Past Due	Past Due	Past Due	Total
As of June 30, 2025						
Real estate mortgage	\$ 5,172	\$ 365	\$ 5,537	\$ 1,372,882	\$ 1,378,419	
Production and intermediate-term	1,924	5,435	7,359	610,152	617,511	
Agribusiness	8,788	--	8,788	535,076	543,864	
Other	152	--	152	110,830	110,982	
Total	\$ 16,036	\$ 5,800	\$ 21,836	\$ 2,628,940	\$ 2,650,776	

As of December 31, 2024	30-89 Days		90 Days or More		Not Past Due or Less Than 30 Days	
	Past Due	Past Due	Past Due	Past Due	Past Due	Total
Real estate mortgage	\$ 2,793	\$ 612	\$ 3,405	\$ 1,248,911	\$ 1,252,316	
Production and intermediate-term	2,387	1,079	3,466	574,043	577,509	
Agribusiness	164	248	412	495,054	495,466	
Other	118	--	118	109,874	109,992	
Total	\$ 5,462	\$ 1,939	\$ 7,401	\$ 2,427,882	\$ 2,435,283	

There were no loans 90 days or more past due and still accruing interest at June 30, 2025, or December 31, 2024.

Nonaccrual Loans

Nonaccrual Loans Information

(in thousands)	As of June 30, 2025		For the Six Months Ended June 30, 2025	
	Amortized Cost		Amortized Cost	Interest Income
	Amortized Cost	Without Allowance	Without Allowance	Recognized
Nonaccrual loans:				
Real estate mortgage	\$ 2,604	\$ 2,604	\$ 452	
Production and intermediate-term	7,746	4,782	699	
Agribusiness	1,644	20	5	
Other	199	199	4	
Total	\$ 12,193	\$ 7,605	\$ 1,160	

(in thousands)	As of December 31, 2024		For the Six Months Ended June 30, 2024	
	Amortized Cost		Amortized Cost	Interest Income
	Amortized Cost	Without Allowance	Without Allowance	Recognized
Nonaccrual loans:				
Real estate mortgage	\$ 1,183	\$ 1,183	\$ 57	
Production and intermediate-term	2,448	105	19	
Agribusiness	1,264	1,016	344	
Other	207	207	6	
Total	\$ 5,102	\$ 2,511	\$ 426	

Write-offs of accrued interest receivable, as a reversal of interest income, at the time loans were transferred to nonaccrual status were not material for the six months ended June 30, 2025, or 2024.

Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

Included within our loans are loan modifications; some of which are granted to borrowers experiencing financial difficulty. Modifications are one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant term extension, or other-than-insignificant payment deferrals. Other-than-insignificant term extensions are defined as those greater than or equal to six months. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Other-than-insignificant payment deferrals are defined as cumulative or individual payment delays greater than or equal to six months. Loans that both modify and are paid off or charged-off during the period, resulting in an amortized cost balance of zero at the end of the period, are not included in the modification disclosures.

Loan Modifications at Amortized Cost

(dollars in thousands)	Term	Combination - Interest Rate Reduction and	Percentage of Total
For the six months ended June 30, 2025	Extension	Term Extension	Total Loans
Production and intermediate-term	\$ 13,147	\$ --	\$ 13,147 0.5%
<hr/>			
For the six months ended June 30, 2024	Extension	Term Extension	Total Loans
Production and intermediate-term	\$ 6,370	\$ 269	\$ 6,639 0.3%
Agribusiness	523	--	523 0.0%
Total	\$ 6,893	\$ 269	\$ 7,162 0.3%
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Loan modifications granted as a percentage of total loans	0.3%	0.0%	0.3%

Financial Effect of Loan Modifications

	Weighted Average Interest Rate Reduction (%)	Weighted Average Term Extension (months)
For the six months ended June 30, 2025		
Production and intermediate-term		
Term extension		14
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For the six months ended June 30, 2024	Weighted Average Interest Rate Reduction (%)	Weighted Average Term Extension (months)
Production and intermediate-term		
Term extension		9
Combination - interest rate reduction and term extension	2.6%	84
Agribusiness		
Term extension		12

The following table presents the amortized cost of loans to borrowers experiencing financial difficulty that defaulted during the six months ended June 30, 2025, or 2024, in which the modifications were within the twelve months preceding the default.

Loan Modifications that Subsequently Defaulted

(in thousands)	Term
For the six months ended June 30, 2025	Extension
Production and intermediate-term	\$ 1,034
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For the six months ended June 30, 2024	Term
Production and intermediate-term	\$ 171

The following table presents the payment status at amortized cost of loans that have been modified for borrowers experiencing financial difficulty within twelve months of the respective reporting period.

Payment Status of Loan Modifications

(in thousands)	Not Past Due or Less Than 30 Days Past Due	90 Days or More Past Due	Total
As of June 30, 2025			
Production and intermediate-term	\$ 13,758	\$ 1,034	\$ 14,792
Agribusiness	3,629	--	3,629
Total	<u>\$ 17,387</u>	<u>\$ 1,034</u>	<u>\$ 18,421</u>
As of June 30, 2024			
Real estate mortgage	\$ 247	\$ --	\$ 247
Production and intermediate-term	6,455	171	6,626
Agribusiness	2,513	--	2,513
Total	<u>\$ 9,215</u>	<u>\$ 171</u>	<u>\$ 9,386</u>

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was not material at June 30, 2025, or 2024.

Additional commitments were \$2.8 million at June 30, 2025, and \$4.7 million at December 31, 2024, to lend to borrowers experiencing financial difficulty whose loans were modified during the six months ended June 30, 2025, and during the year ended December 31, 2024, respectively.

Allowance for Credit Losses

Our loan portfolio is divided into segments primarily based on loan type which are the segments used to estimate the allowance for credit losses. As our lending authorities limit the types of loans we can originate, our portfolio is concentrated in the agriculture sector. The credit risk associated with each of our portfolio segments includes a strong correlation to agricultural commodity prices and input costs. Specifically for our real estate mortgage segment, the value of agricultural land that serves as collateral is a key risk characteristic. Additionally, unemployment rates and gross domestic product levels are additional key risk characteristics attributable to our portfolio. We consider these characteristics, among others, in assigning internal risk ratings and forecasting credit losses on our loan portfolio and related unfunded commitments.

We develop our reasonable and supportable forecast by considering a multitude of macroeconomic variables. Our forecasts of United States (U.S.) net farm income, U.S. real gross domestic product, and the U.S. unemployment rate represent the key macroeconomic variables that most significantly affect the estimate of the allowance for credit losses on loans and unfunded commitments.

We utilize a single macroeconomic scenario in the estimate of the allowance for credit losses on loans and unfunded commitments which represents the most probable forecasted outcome. Subsequent changes in the macroeconomic forecasts will be reflected in the provision for credit losses in future periods.

Changes in Allowance for Credit Losses

(in thousands)		
Six months ended June 30,	2025	2024
Allowance for Credit Losses on Loans		
Balance at beginning of period	\$ 7,014	\$ 5,925
Provision for credit losses on loans	1,525	1,519
Loan recoveries	264	24
Loan charge-offs	(277)	(974)
Balance at end of period	<u>\$ 8,526</u>	<u>\$ 6,494</u>
Allowance for Credit Losses on Unfunded Commitments		
Balance at beginning of period	\$ 983	\$ 633
Provision for credit losses on unfunded commitments	413	121
Balance at end of period	<u>\$ 1,396</u>	<u>\$ 754</u>
Total allowance for credit losses	<u>\$ 9,922</u>	<u>\$ 7,248</u>

The allowance for credit losses on loans did not change significantly from December 31, 2024.

NOTE 3: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

Refer to Note 10 in our 2024 Annual Report for additional detail regarding contingencies and commitments.

NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2024 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at June 30, 2025, or December 31, 2024.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of June 30, 2025	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	\$ --	\$ --	\$ 3,279	\$ 3,279
Other property owned	--	--	249	249
As of December 31, 2024	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	\$ --	\$ --	\$ 1,894	\$ 1,894
Other property owned	--	--	464	464

Valuation Techniques

Loans: Represents the carrying amount of loans evaluated individually for credit losses and deemed to be collateral dependent. The carrying value amount is based on the estimated value of the underlying collateral, less costs to sell. When the fair value of the collateral, less costs to sell, is less than the amortized cost basis of the loan, a specific allowance for expected credit losses is established. Costs to sell represent transaction costs and are not included as a component of the collateral's estimated fair value. Typically, the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters and, therefore, are classified as Level 3 fair value measurements.

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 5: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 8, 2025, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.