

LOUISIANA LAND BANK, ACA

2026 Quarterly Report Second Quarter



**For the Quarter Ended
June 30, 2026**

REPORT OF MANAGEMENT

The consolidated financial statements of Louisiana Land Bank, ACA (Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances. Other financial information included in the quarterly report is consistent with that in the consolidated financial statements and there are no significant changes in the Association's internal controls or in other factors that could significantly affect such controls during the year.

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/ F. Stephen Austin
F. Stephen Austin, Chief Executive Officer
August 7, 2026

/s/ Cullen M. Kovac
Cullen M. Kovac, Chairman, Board of Directors
August 7, 2026

/s/ Christopher E. Bentley
Christopher E. Bentley, Chief Financial Officer
August 7, 2026

Second Quarter 2026 Financial Report

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LOUISIANA LAND BANK, ACA

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following commentary reviews the financial performance of the Louisiana Land Bank, ACA, referred to as the Association, for the quarter ended June 30, 2026. These comments should be read in conjunction with the accompanying consolidated financial statements and the December 31, 2025 Annual Report to Stockholders.

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

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

Significant Events

In March 2026, the Association’s Board paid a patronage of \$10,184,604 to the eligible stockholders from 2025’s earnings. The patronage was in the form of a qualified patronage distribution.

The Association has continued to provide 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, agribusinesses and rural residents.

In February, the Farm Credit System Insurance Corporation voted to return excess funds to System banks. The Association received its portion of the excess funds from FCBT. The amount received was \$485,062.

The Association Director position for Region Five was filled by the Board in June. The Board appointed Ben Guthrie to the vacant seat. Mr. Guthrie will fill out the remainder of the term.

This year, Farm Credit celebrates 110 years of history serving rural America and the growers and producers of this nation. The Association has continued to provide its members with quality financial services and is proud to be a part of the Farm Credit System’s history. The Board and management of this Association remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers, agribusinesses and rural residents in today’s market.

Loan Portfolio

Total loans outstanding at June 30, 2026, including nonaccrual loans and sales contracts, were \$1,164,644,119 compared to \$1,156,387,322 at December 31, 2025, reflecting an increase of 0.7 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.1 percent at June 30, 2026, and December 31, 2025.

The Association recorded \$21,716 in recoveries and \$24,125 in charge-offs for the three months ended June 30, 2026, and \$2,233 in recoveries and \$22,432 in charge-offs for the three months ended June 30, 2025. The Association recorded \$26,555 in recoveries and \$38,417 in charge-offs for the six months ended June 30, 2026, and \$31,036 in recoveries and \$39,785 in charge-offs for the six months ended June 30, 2025. The Association’s allowance for credit losses on loans was 0.4 percent and 0.3 percent of total loans outstanding as of June 30, 2026, and December 31, 2025, respectively.

Risk Exposure

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

	June 30, 2026		December 31, 2025	
	Amount	%	Amount	%
Nonaccrual	\$ 1,017,498	100.0%	\$ 1,657,872	98.1%
Other property owned, net	-	0.0%	31,569	1.9%
Total	<u>\$ 1,017,498</u>	<u>100.0%</u>	<u>\$ 1,689,441</u>	<u>100.0%</u>

Results of Operations

The Association had net income of \$3,394,587 and \$8,515,085 for the three and six months ended June 30, 2026, as compared to net income of \$4,278,898 and \$9,287,556 for the same periods in 2025, reflecting a decrease of 20.7 and 8.3 percent, respectively. Net interest income was \$8,037,151 and \$15,960,937 for the three and six months ended June 30, 2026, compared to \$7,744,468 and \$15,687,332 for the same period in 2025.

	Six Months Ended:			
	June 30, 2026		June 30, 2025	
	Average Balance	Interest	Average Balance	Interest
Loans	\$ 1,152,874,243	\$ 34,821,560	\$ 1,098,789,653	\$ 32,845,467
Interest-bearing liabilities	970,060,027	18,860,623	919,282,530	17,158,135
Impact of capital	<u>\$ 182,814,216</u>		<u>\$ 179,507,123</u>	
Net interest income		<u>\$ 15,960,937</u>		<u>\$ 15,687,332</u>

	2026	2025
	Average Yield	Average Yield
Yield on loans	6.09%	6.03%
Cost of interest-bearing liabilities	3.92%	3.76%
Interest rate spread	2.17%	2.27%
Net interest income as a percentage of average earning assets	2.79%	2.88%

	Six Months Ended:		
	June 30, 2026 vs. June 30, 2025		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	\$ 1,616,711	\$ 359,382	\$ 1,976,093
Interest expense	947,753	754,735	1,702,488
Net interest income	<u>\$ 668,958</u>	<u>\$ (395,353)</u>	<u>\$ 273,605</u>

Interest income for the three and six months ended June 30, 2026, increased by \$775,272 and \$1,976,093, or 4.6 percent and 6.0 percent, from the same periods of 2025, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the three and six months ended June 30, 2026, increased by \$482,589 and \$1,702,488, or 5.3 percent and 9.9 percent, from the same periods of 2025 due to an increase in average debt volume and an increase in interest rates. Average loan volume for the six months ended June 30, 2026, was \$1,152,874,243 compared to \$1,098,789,653 for the same period in 2025. The average net interest rate spread on the loan portfolio for the six months ended June 30, 2026, was 2.17 percent, compared to 2.27 percent for the same period in 2025.

The Association's return on average assets for the six months ended June 30, 2026, was 1.4 percent compared to 1.6 percent for the same period in 2025. The Association's return on average equity for the six months ended June 30, 2026, was 8.1 percent, compared to 9.2 percent for the same period in 2025.

The Association accrues for patronage payable to eligible stockholders in the current year. That balance is paid in the following year, usually late in the first quarter. The balance shifts from patronage payable to other liabilities in the current year.

The provision for credit losses increased by 285.1 percent for the six months ended June 30, 2026, from the same period in 2025, as a result of capital market loans that suffered downgrades in probability of default and collateral ratings.

Purchased Services increased by 190.6 percent for the six months ended June 30, 2026, compared to the same period in 2025 as a direct result of the new Technology Fee imposed by the Farm Credit Bank of Texas (Bank).

Other Noninterest Income increased 127.6 percent for the six months ended June 30, 2026, compared to the same period in 2025. The variance is derived from the Farm Credit System Insurance Corporations (FCSIC) returning excess funds to the System banks.

Other Assets increased by 62.0 percent as of June 30, 2026, compared to December 31, 2025, due to an increase in prepaid expenses, which resulted in a higher balance at the beginning of the year versus the end of the year.

Investment in the Bank – Other decreased by 52.3 percent as of June 30, 2026, compared to December 31, 2025, due to a year-end payment for the direct note patronage versus the accrual that occurred in the first quarter of the year.

Gain on the sale of premise and equipment, net, decreased by 39.3 percent for the six months ended June 30, 2026, compared to the same period in 2025, as the result of the Association having sold less used fleet vehicles.

Loan fees increased 37.0 percent for the six months ended June 30, 2026, compared to the same period in 2025. Loan fees are cyclical and not a predictable source of income. There is a de minimis level increase in Financially Related Service Income driven by the first wave of commissions related to the sale of crop insurance.

Patronage Income from the Bank decreased by 12.1 percent for the six months ended June 30, 2026, compared to the same period in 2025. This is due to management lowering the accrual basis for 2026, based on guidance provided by the Bank.

Liquidity and Funding Sources

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

	<u>June 30, 2026</u>	<u>December 31, 2025</u>
Note payable to the Bank	\$ 983,208,266	\$ 975,290,411
Accrued interest on note payable	3,208,896	3,215,556
Total	<u>\$ 986,417,162</u>	<u>\$ 978,505,967</u>

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 \$983,208,266 as of June 30, 2026, is recorded as a liability on the Association's Consolidated Balance Sheets. The note carried a weighted average interest rate of 3.97 percent at June 30, 2026. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank is due to the Association's increase in loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were \$180,711,818 at June 30, 2026. The maximum amount the Association may borrow from the Bank as of June 30, 2026, was \$1,178,079,177 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 liquidity policy of the Association is to manage cash balances to maximize debt reduction, and to increase accrual loan volume. This policy will continue to be pursued during 2026. As borrower payments are received, they are applied to the Association's note payable to the Bank.

Capital Resources

The Association's capital position increased by \$7,167,812 at June 30, 2026, compared to December 31, 2025. The Association's debt as a percentage of members' equity was 4.59:1 as of June 30, 2026, compared to 4.76:1 as of December 31, 2025.

Farm Credit Administration regulations require the Association to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of June 30, 2026, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements

Refer to Note 1 – "Organization and Significant Accounting Policies" in this quarterly report for disclosures of recent accounting pronouncements which may impact the Association's consolidated financial position and results of operations and for critical accounting policies.

Relationship With the Farm Credit Bank of Texas

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis of Financial Conditions and Results of Operations and Notes to the Consolidated Financial Statements contained in the 2025 Annual Report of Association more fully describe the Association's relationship with the Bank.

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

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Louisiana Land Bank, ACA, 2413 Tower Drive, Monroe, LA, 71201 or calling 318-387-7535. The annual and quarterly stockholder reports for the Association are also available on its website at www.louisianalandbank.com. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing alyssa.allen@louisianalandbank.com.

LOUISIANA LAND BANK, ACA
CONSOLIDATED BALANCE SHEETS

	June 30, 2026 (unaudited)	December 31, 2025
<u>ASSETS</u>		
Cash	\$ 18,680	\$ 27,595
Loans	1,164,644,119	1,156,387,322
Less: allowance for credit losses on loans	4,747,303	3,606,108
Net loans	1,159,896,816	1,152,781,214
Accrued interest receivable	15,494,478	15,181,296
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	24,937,026	24,751,226
Other	2,493,967	5,231,225
Other property owned, net	-	31,569
Premises and equipment, net	5,214,872	5,538,424
Other assets	1,309,981	808,465
Total assets	\$ 1,209,365,820	\$ 1,204,351,014
<u>LIABILITIES</u>		
Note payable to the Farm Credit Bank of Texas	\$ 983,208,266	\$ 975,290,411
Accrued interest payable	3,208,896	3,215,556
Drafts outstanding	52,457	31,543
Patronage distributions payable	299	8,800,203
Other liabilities	6,658,962	7,944,173
Total liabilities	993,128,880	995,281,886
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	3,084,620	3,047,290
Unallocated retained earnings	213,193,574	206,063,092
Accumulated other comprehensive loss	(41,254)	(41,254)
Total members' equity	216,236,940	209,069,128
Total liabilities and members' equity	\$ 1,209,365,820	\$ 1,204,351,014

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
<u>INTEREST INCOME</u>				
Loans	\$ 17,585,556	\$ 16,810,284	\$ 34,821,560	\$ 32,845,467
<u>INTEREST EXPENSE</u>				
Note payable to the Farm Credit Bank of Texas	9,548,405	9,065,816	18,860,623	17,158,135
Net interest income	8,037,151	7,744,468	15,960,937	15,687,332
<u>PROVISION FOR CREDIT LOSSES</u>				
Net interest income after provision for credit losses	1,146,332	300,496	1,148,883	298,366
	6,890,819	7,443,972	14,812,054	15,388,966
<u>NONINTEREST INCOME</u>				
Income from the Farm Credit Bank of Texas:				
Patronage income	839,002	977,964	1,740,529	1,980,120
Loan fees	153,286	71,110	217,850	159,007
Financially related services income	2,621	1,445	11,171	1,642
Gain (loss) on other property owned, net	4,484	(3,731)	4,484	(3,826)
Gain on sale of premises and equipment, net	-	68,389	41,491	68,389
Other noninterest income	105,234	83,788	755,285	331,904
Total noninterest income	1,104,627	1,198,965	2,770,810	2,537,236
<u>NONINTEREST EXPENSES</u>				
Salaries and employee benefits	2,635,829	2,706,980	5,397,272	5,441,268
Directors' expense	80,188	89,369	170,133	193,594
Purchased services	358,647	135,691	672,768	231,520
Travel	178,189	160,333	286,636	279,239
Occupancy and equipment	205,372	209,744	397,912	411,484
Communications	65,161	61,854	118,756	130,407
Advertising	181,357	183,302	363,986	372,435
Public and member relations	148,017	134,982	272,770	289,653
Supervisory and exam expense	275,290	211,322	476,072	442,124
Insurance Fund premiums	221,056	213,998	442,337	417,126
Other components of net periodic postretirement benefit cost	50,195	50,020	100,390	100,041
Other noninterest expense	194,490	204,014	360,349	324,655
Total noninterest expenses	4,593,791	4,361,609	9,059,381	8,633,546
Income before income taxes	3,401,655	4,281,328	8,523,483	9,292,656
Provision for income taxes	7,068	2,430	8,398	5,100
NET INCOME	3,394,587	4,278,898	8,515,085	9,287,556
Other comprehensive income:				
Change in postretirement benefit plans	-	-	-	-
COMPREHENSIVE INCOME	\$ 3,394,587	\$ 4,278,898	\$ 8,515,085	\$ 9,287,556

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

LOUISIANA LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2024	\$ 3,009,800	\$ 197,017,289	\$ (283,676)	\$ 199,743,413
Comprehensive income	-	9,287,556	-	9,287,556
Capital stock/participation certificates issued	204,420	-	-	204,420
Capital stock/participation certificates retired	(181,260)	-	-	(181,260)
Patronage dividends:				
Change in patronage declared and accrued	-	74,576	-	74,576
Balance at June 30, 2025	<u>\$ 3,032,960</u>	<u>\$ 206,379,421</u>	<u>\$ (283,676)</u>	<u>\$ 209,128,705</u>
Balance at December 31, 2025	\$ 3,047,290	\$ 206,063,092	\$ (41,254)	\$ 209,069,128
Comprehensive income	-	8,515,085	-	8,515,085
Capital stock/participation certificates issued	196,930	-	-	196,930
Capital stock/participation certificates retired	(159,600)	-	-	(159,600)
Patronage dividends:				
Patronage declared and accrued	-	(1,384,603)	-	(1,384,603)
Balance at June 30, 2026	<u>\$ 3,084,620</u>	<u>\$ 213,193,574</u>	<u>\$ (41,254)</u>	<u>\$ 216,236,940</u>

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

LOUISIANA LAND BANK, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Louisiana Land Bank, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the parishes of Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, DeSoto, East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson, Jefferson Davis, Lafayette, Lafourche, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Tensas, Terrebonne, Union, Vermillion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana, and Winn in the state of Louisiana. The Association is a lending institution of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

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

Certain amounts in the prior period's financial statements have been reclassified to the current period's financial statement presentation.

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

Recently Adopted or Issued Accounting Pronouncements

In December 2025, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-11 Interim Reporting (Topic 270): Narrow-Scope Improvements. The update provides narrow-scope improvements to interim reporting guidance to enhance clarity, navigability and completeness of interim financial statements and disclosures, without fundamentally changing reporting requirements. Key changes include clarifying who is subject to interim reporting requirements, adding comprehensive lists of required disclosures from other Codification topics, and establishing a principle to disclose events that have material impact on the entity since the end of the last annual reporting period. This update is effective for public business entities for interim reporting periods within annual reporting periods beginning after December 15, 2027, and for other entities after December 15, 2028, with early adoption permitted. The Association is currently evaluating the potential impact of adoption its financial condition, results of operations and cash flows.

In November 2025, the FASB issued ASU 2025-08 Financial Instruments - Credit Losses (Topic 326): Purchased Loans. This update simplifies accounting for purchased loans by expanding the "gross-up" method to "purchased seasoned loans" (PSLs). This eliminates the Day 1 credit loss expense for most acquired loans, improves comparability, and reduces earnings volatility by creating a more consistent accounting approach similar to that used for previously purchased credit-deteriorated (PCD) loans. This update is effective for annual periods beginning after December 15, 2026, including interim periods within those years. Early adoption is permitted. The Association is currently evaluating the potential impact of adoption on its financial condition, results of operations and cash flows.

In September 2025, the FASB issued ASU 2025-06 Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. This update introduces several key changes: (1) eliminates the stage-based rules for capitalization, (2) replaces these rules with a principles-based framework where (a) capitalization occurs when management has authorized and committed to funding, and (b) it is probable that the project will be completed and the software used

as intended, (3) clarifies website developments costs and (4) modifies the disclosure requirements for capitalized software costs. This update is effective for annual periods starting after December 15, 2027, with early adoption permitted as of the beginning of any annual reporting period. The Association is currently evaluating the potential impact of adoption on its financial condition, results of operations and cash flows.

In July 2025, the FASB issued ASU 2025-05 – Financial Instruments - Credit Losses - Measurement of Credit Losses for Accounts Receivable and Contract Assets. The amendments in this update provide all entities with a practical expedient, which would allow all entities when developing reasonable and supportable forecasts as part of estimating credit losses to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The update also provides entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under revenue recognition guidance. The Association adopted this guidance on January 1, 2026, under a prospective approach. The impact of adoption did not have an impact on the Association’s financial condition, results of operations or cash flows.

In December 2023, the FASB issued ASU 2023-09 – Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this update require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. Effective January 1, 2026, the Association adopted this guidance. The adoption of this guidance did not have a material impact on the Association’s financial condition, results of operations or cash flows but did impact the income tax disclosures.

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

A summary of loans by type follows:

Loan Type	June 30, 2026	December 31, 2025
Production agriculture:		
Real estate mortgage	\$ 964,078,874	\$ 962,981,756
Production and intermediate-term	135,007,878	115,503,328
Agribusiness:		
Processing and marketing	40,576,077	46,577,881
Farm-related business	4,116,990	9,218,593
Loans to cooperatives	3,118,365	3,637,887
Communication	8,033,225	8,410,431
Rural residential real estate	5,302,638	5,598,869
Energy	2,591,067	2,639,806
International	1,819,005	1,818,771
Total	<u>\$ 1,164,644,119</u>	<u>\$ 1,156,387,322</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, 2026:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 45,396,835	\$ 44,076,818	\$ -	\$ -	\$ 45,396,835	\$ 44,076,818
Production and intermediate-term	6,012,807	5,000,000	-	-	6,012,807	5,000,000
Agribusiness	4,865,272	225,433,499	-	-	4,865,272	225,433,499
Communication	8,033,225	-	-	-	8,033,225	-
Energy	2,591,067	-	-	-	2,591,067	-
International	1,819,005	-	-	-	1,819,005	-
Total	<u>\$ 68,718,211</u>	<u>\$ 274,510,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,718,211</u>	<u>\$ 274,510,317</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. Unrestricted ACPs are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. There were no ACPs at June 30, 2026, and December 31, 2025, respectively.

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in the Association’s outstanding loans, letters of credit and unfunded loan commitments. The Association manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and

lending policies, approved by its Board of Directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, institutions that make loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85 percent of the original appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

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

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

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

The following table shows the amortized cost of loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of June 30, 2026, and December 31, 2025:

	<u>June 30, 2026</u>	<u>December 31, 2025</u>
Real estate mortgage		
Acceptable	97.7 %	98.8 %
OAEM	2.1	0.4
Substandard/doubtful	0.2	0.8
	<u>100.0</u>	<u>100.0</u>
Production and intermediate-term		
Acceptable	99.5	99.1
OAEM	0.3	0.2
Substandard/doubtful	0.2	0.7
	<u>100.0</u>	<u>100.0</u>
Agribusiness		
Acceptable	88.4	95.5
OAEM	5.2	4.5
Substandard/doubtful	6.4	-
	<u>100.0</u>	<u>100.0</u>
Communication		
Acceptable	45.3	100.0
OAEM	54.7	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Rural residential real estate		
Acceptable	97.1	98.6
OAEM	1.5	-
Substandard/doubtful	1.4	1.4
	<u>100.0</u>	<u>100.0</u>
Energy		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
International		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	<u>100.0</u>	<u>100.0</u>
Total loans		
Acceptable	97.1	98.6
OAEM	2.4	0.6
Substandard/doubtful	0.5	0.8
	<u>100.0 %</u>	<u>100.0 %</u>

Accrued interest receivable on loans of \$15,494,478 and \$15,181,296 at June 30, 2026 and December 31, 2025, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets. The Association wrote off accrued interest receivable against interest income of \$0 and \$6,582 during the three and six months ended June 30, 2026, respectively. During the three and six months ended June 30, 2025, the Association wrote off accrued interest receivable against interest income of \$8,837 and \$26,190, respectively.

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

	June 30, 2026	December 31, 2025
Nonaccrual loans:		
Real estate mortgage	\$ 797,136	\$ 955,467
Production and intermediate-term	220,362	702,405
Total nonaccrual loans	1,017,498	1,657,872
Other property owned, net	-	31,569
Total nonperforming assets	\$ 1,017,498	\$ 1,689,441
Nonaccrual loans as a percentage of total loans	0.09%	0.14%
Nonperforming assets as a percentage of total loans and other property owned	0.09%	0.15%
Nonperforming assets as a percentage of capital	0.47%	0.81%

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

	June 30, 2026			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended June 30, 2026	For the Six Months Ended June 30, 2026
Nonaccrual loans:					
Real estate mortgage	\$ 73,293	\$ 723,843	\$ 797,136	\$ 61,647	\$ 70,716
Production and intermediate-term	192,067	28,295	220,362	1,292	5,226
Total nonaccrual loans	\$ 265,360	\$ 752,138	\$ 1,017,498	\$ 62,939	\$ 75,942
	December 31, 2025			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended June 30, 2025	For the Six Months Ended June 30, 2025
Nonaccrual loans:					
Real estate mortgage	\$ 74,548	\$ 880,919	\$ 955,467	\$ 95,495	\$ 576,203
Production and intermediate-term	-	702,405	702,405	-	-
Total nonaccrual loans	\$ 74,548	\$ 1,583,324	\$ 1,657,872	\$ 95,495	\$ 576,203

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	Amortized Cost >90 Days Past Due and Accruing
June 30, 2026						
Real estate mortgage	\$ 1,058,954	\$ 274,779	\$ 1,333,733	\$ 962,745,141	\$ 964,078,874	\$ -
Production and intermediate-term	184,616	192,067	376,683	134,631,195	135,007,878	-
Processing and marketing	-	-	-	40,576,077	40,576,077	-
Farm-related business	-	-	-	4,116,990	4,116,990	-
Loans to cooperatives	-	-	-	3,118,365	3,118,365	-
Communication	-	-	-	8,033,225	8,033,225	-
Rural residential real estate	77,178	-	77,178	5,225,460	5,302,638	-
Energy	-	-	-	2,591,067	2,591,067	-
International	-	-	-	1,819,005	1,819,005	-
Total	\$ 1,320,748	\$ 466,846	\$ 1,787,594	\$ 1,162,856,525	\$ 1,164,644,119	\$ -
	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Amortized Cost >90 Days Past Due and Accruing
December 31, 2025						
Real estate mortgage	\$ 803,088	\$ 317,006	\$ 1,120,094	\$ 961,861,662	\$ 962,981,756	\$ -
Production and intermediate-term	187,847	586,820	774,667	114,728,661	115,503,328	-
Processing and marketing	-	-	-	46,577,881	46,577,881	-
Farm-related business	-	-	-	9,218,593	9,218,593	-
Loans to cooperatives	-	-	-	3,637,887	3,637,887	-
Communication	-	-	-	8,410,431	8,410,431	-
Rural residential real estate	-	-	-	5,598,869	5,598,869	-
Energy	-	-	-	2,639,806	2,639,806	-
International	-	-	-	1,818,771	1,818,771	-
Total	\$ 990,935	\$ 903,826	\$ 1,894,761	\$ 1,154,492,561	\$ 1,156,387,322	\$ -

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

Loan Modifications to Borrowers Experiencing Financial Difficulties

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

Allowance for Credit Losses

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

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

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communication	Rural Residential Real Estate	Energy	International	Total
Allowance for credit losses on loans:								
Balance at March 31, 2026	\$ 3,157,892	\$ 230,690	\$ 167,865	\$ 29,660	\$ 15,067	\$ 4,118	\$ 1,691	\$ 3,606,983
Charge-offs	-	(24,125)	-	-	-	-	-	(24,125)
Recoveries	2,644	19,072	-	-	-	-	-	21,716
Provision for credit losses (credit loss reversal)	142,211	22,205	632,066	341,524	5,298	(576)	1	1,142,729
Balance at June 30, 2026	\$ 3,302,747	\$ 247,842	\$ 799,931	\$ 371,184	\$ 20,365	\$ 3,542	\$ 1,692	\$ 4,747,303
Allowance for credit losses on unfunded commitments:								
Balance at March 31, 2026	\$ 1,658	\$ 9,290	\$ 1,276	\$ 293	\$ -	\$ -	\$ 201	\$ 12,718
Provision for credit losses on unfunded commitments (credit loss reversal)	127	3,203	307	(33)	-	-	(1)	3,603
Balance at June 30, 2026	\$ 1,785	\$ 12,493	\$ 1,583	\$ 260	\$ -	\$ -	\$ 200	\$ 16,321
Total allowance for credit losses	\$ 3,304,532	\$ 260,335	\$ 801,514	\$ 371,444	\$ 20,365	\$ 3,542	\$ 1,892	\$ 4,763,624
	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communication	Rural Residential Real Estate	Energy	International	Total
Allowance for credit losses on loans:								
Balance at December 31, 2025	\$ 3,180,988	\$ 214,331	\$ 163,988	\$ 23,996	\$ 17,381	\$ 3,567	\$ 1,857	\$ 3,606,108
Charge-offs	(14,292)	(24,125)	-	-	-	-	-	(38,417)
Recoveries	7,483	19,072	-	-	-	-	-	26,555
Provision for credit losses (credit loss reversal)	128,568	38,564	635,943	347,188	2,984	(25)	(165)	1,153,057
Balance at June 30, 2026	\$ 3,302,747	\$ 247,842	\$ 799,931	\$ 371,184	\$ 20,365	\$ 3,542	\$ 1,692	\$ 4,747,303
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2025	\$ 2,671	\$ 9,108	\$ 7,887	\$ 607	\$ -	\$ -	\$ 222	\$ 20,495
Provision for credit losses on unfunded commitments (credit loss reversal)	(886)	3,385	(6,304)	(347)	-	-	(22)	(4,174)
Balance at June 30, 2026	\$ 1,785	\$ 12,493	\$ 1,583	\$ 260	\$ -	\$ -	\$ 200	\$ 16,321
Total allowance for credit losses	\$ 3,304,532	\$ 260,335	\$ 801,514	\$ 371,444	\$ 20,365	\$ 3,542	\$ 1,892	\$ 4,763,624

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

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communication	Rural Residential Real Estate	Energy	International	Total
Allowance for credit losses on loans:								
Balance at March 31, 2025	\$ 2,765,571	\$ 117,806	\$ 178,600	\$ 27,106	\$ 19,574	\$ 4,663	\$ 1,931	\$ 3,115,251
Charge-offs	(13,596)	(8,836)	-	-	-	-	-	(22,432)
Recoveries	2,233	-	-	-	-	-	-	2,233
Provision for credit losses (credit loss reversal)	170,820	142,420	(14,473)	(508)	(287)	(256)	(35)	297,681
Balance at June 30, 2025	\$ 2,925,028	\$ 251,390	\$ 164,127	\$ 26,598	\$ 19,287	\$ 4,407	\$ 1,896	\$ 3,392,733
Allowance for credit losses on unfunded commitments:								
Balance at March 31, 2025	\$ 2,522	\$ 8,079	\$ 11,367	\$ 708	\$ -	\$ -	\$ 238	\$ 22,914
Provision for credit losses on unfunded commitments (credit loss reversal)	(1,049)	3,704	217	(51)	-	-	(6)	2,815
Balance at June 30, 2025	\$ 1,473	\$ 11,783	\$ 11,584	\$ 657	\$ -	\$ -	\$ 232	\$ 25,729
Total allowance for credit losses	\$ 2,926,501	\$ 263,173	\$ 175,711	\$ 27,255	\$ 19,287	\$ 4,407	\$ 2,128	\$ 3,418,462

	Real Estate Mortgage	Production and Intermediate- Term	Agribusiness	Communication	Rural Residential Real Estate	Energy	International	Total
Allowance for credit losses on loans:								
Balance at December 31, 2024	\$ 2,827,087	\$ 19,137	\$ 198,032	\$ 26,246	\$ 19,460	\$ 5,099	\$ 2,032	\$ 3,097,093
Charge-offs	(28,666)	(8,836)	-	-	(2,283)	-	-	(39,785)
Recoveries	28,753	-	-	-	2,283	-	-	31,036
Provision for credit losses (credit loss reversal)	97,854	241,089	(33,905)	352	(173)	(692)	(136)	304,389
Balance at June 30, 2025	\$ 2,925,028	\$ 251,390	\$ 164,127	\$ 26,598	\$ 19,287	\$ 4,407	\$ 1,896	\$ 3,392,733
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2024	\$ 3,066	\$ 7,664	\$ 20,129	\$ 640	\$ -	\$ -	\$ 253	\$ 31,752
Provision for credit losses on unfunded commitments (credit loss reversal)	(1,593)	4,119	(8,545)	17	-	-	(21)	(6,023)
Balance at June 30, 2025	\$ 1,473	\$ 11,783	\$ 11,584	\$ 657	\$ -	\$ -	\$ 232	\$ 25,729
Total allowance for credit losses	\$ 2,926,501	\$ 263,173	\$ 175,711	\$ 27,255	\$ 19,287	\$ 4,407	\$ 2,128	\$ 3,418,462

Discussion of Changes in Allowance for Credit Losses

The allowance for credit losses as of June 30, 2026, was \$4,763,624, reflecting an increase of \$1,137,021 from December 31, 2025. The increase in allowance was driven by standard review of adverse assets and the need for an allowance for expected credit losses on asset-specific loans, as well as fluctuations in loan portfolio risk ratings.

The economic scenarios utilized in the June 30, 2026, estimate for the allowance for credit losses were based on the following scenarios: a baseline scenario which represents a relatively stable economic environment; a downside scenario reflecting an economic recession; and an upside scenario that considers the potential for economic improvement relative to the baseline.

NOTE 3 — CAPITAL:

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

	June 30, 2026	December 31, 2025
Capital stock and participation certificates	\$ 3,084,620	\$ 3,047,290
Unallocated retained earnings	213,193,574	206,063,092
Accumulated other comprehensive loss	(41,254)	(41,254)
Total Capital	\$ 216,236,940	\$ 209,069,128

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums with Buffer	As of June 30, 2026
Common equity tier 1 ratio	7.00%	15.84%
Tier 1 capital ratio	8.50%	15.84%
Total capital ratio	10.50%	16.14%
Permanent capital ratio	7.00%	15.88%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	16.11%
UREE leverage ratio	1.50%	15.85%

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

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	\$ 211,437,895	\$ 211,437,895	\$ 211,437,895	\$ 211,437,895
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	3,074,267	3,074,267	3,074,267	3,074,267
Allowance for credit losses and reserve for credit losses subject to certain limitations	-	-	3,640,019	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(24,755,355)	(24,755,355)	(24,755,355)	(24,755,355)
	<u>\$ 189,756,807</u>	<u>\$ 189,756,807</u>	<u>\$ 193,396,826</u>	<u>\$ 189,756,807</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$ 1,222,999,446	\$ 1,222,999,446	\$ 1,222,999,446	\$ 1,222,999,446
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(24,755,355)	(24,755,355)	(24,755,355)	(24,755,355)
Allowance for credit losses	-	-	-	(3,627,261)
	<u>\$ 1,198,244,091</u>	<u>\$ 1,198,244,091</u>	<u>\$ 1,198,244,091</u>	<u>\$ 1,194,616,830</u>

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	\$ 211,437,895	\$ 211,437,895
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	3,074,267	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(24,755,355)	(24,755,355)
	<u>\$ 189,756,807</u>	<u>\$ 186,682,540</u>
Denominator:		
Total Assets	\$ 1,203,291,044	\$ 1,203,291,044
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(25,343,026)	(25,343,026)
	<u>\$ 1,177,948,018</u>	<u>\$ 1,177,948,018</u>

The Association's accumulated other comprehensive loss relates entirely to its non-pension other postretirement benefits. Amortization of prior service cost and of actuarial loss are reflected in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive loss for the six months ended June 30:

	2026	2025
Accumulated other comprehensive loss at January 1	\$ (41,254)	\$ (283,676)
Other comprehensive income before reclassifications	-	-
Net current period other comprehensive loss	-	-
Accumulated other comprehensive loss at June 30	<u>\$ (41,254)</u>	<u>\$ (283,676)</u>

NOTE 4 — INCOME TAXES:

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

NOTE 5 — 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 13, "Fair Value Measurements," in the 2025 Annual Report to Stockholders for a more complete description.

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

June 30, 2026	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in non-qualified benefits trusts	\$ 65,045	\$ -	\$ -	\$ 65,045
December 31, 2025				
	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Assets held in non-qualified benefits trusts	\$ 63,945	\$ -	\$ -	\$ 63,945

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

June 30, 2026	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 221,863	\$ 221,863
Other property owned	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,863</u>	<u>\$ 221,863</u>
December 31, 2025	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Loans	\$ -	\$ -	\$ 69,596	\$ 69,596
Other property owned	-	-	35,077	35,077
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,673</u>	<u>\$ 104,673</u>

For the six months ended June 30, 2026, and the year ended December 31, 2025, the Association did not have any nonfinancial liabilities that were assessed at fair value on a recurring or non-recurring basis.

Uncertainty of Fair Value Measurements

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

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

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

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

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," to the 2025 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see the 2025 Annual Report to Stockholders.

Assets Held in Nonqualified Benefits Trusts

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

Loans Evaluated for Impairment

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

Other Property Owned

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

Loans

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

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

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

NOTE 6 — EMPLOYEE BENEFIT PLANS:

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

	Pension Benefits	
	2026	2025
Three months ended June 30:		
Service cost	\$ 6,496	\$ 8,175
Interest cost	50,195	50,020
Net periodic benefit cost	<u>\$ 56,691</u>	<u>\$ 58,195</u>
	Pension Benefits	
	2026	2025
Six months ended June 30:		
Service cost	\$ 12,991	\$ 16,350
Interest cost	100,390	100,041
Net periodic benefit cost	<u>\$ 113,381</u>	<u>\$ 116,391</u>

The Association's liability for the unfunded accumulated obligation for these benefits at June 30, 2026, was \$3,697,268 and is included in "Other liabilities" on the Consolidated Balance Sheets.

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

The structure of the District's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association expects to contribute \$265,071 to the District's defined benefit pension plan in 2026. As of June 30, 2026, \$132,536 of contributions have been made. The Association presently anticipates contributing an additional \$132,535 to fund the defined benefit pension plan in 2026.

NOTE 7 — 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. In addition, the Association makes commitments and extends letters of credit in the normal course of business. At this time there are \$77,668,100 in commitments and \$710,547 in letters of credit outstanding.

NOTE 8 — SUBSEQUENT EVENTS:

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