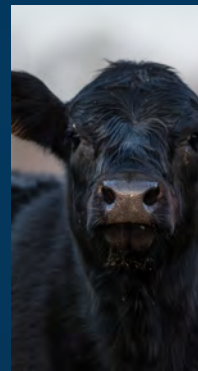
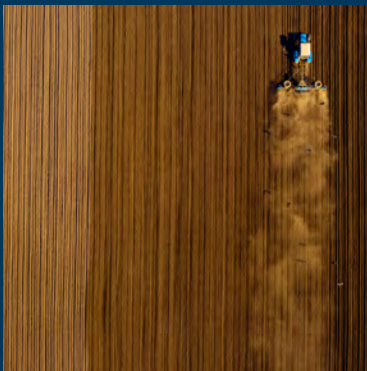


# 2025

## First Quarter Report



FARM CREDIT  
BANK OF TEXAS

# **First Quarter 2025 Financial Report**

## **TABLE OF CONTENTS**

Management's Discussion and Analysis of Financial Condition and Results of Operations .....	2
Controls and Procedures .....	12
Financial Statements:	
Balance Sheets .....	15
Statements of Comprehensive Income .....	16
Statements of Changes in Shareholders' Equity .....	17
Statements of Cash Flows .....	18
Notes to Financial Statements .....	19
Additional Regulatory Information .....	50

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

*(dollars in thousands, except as noted)*

The following commentary is a discussion and analysis of the financial position and the results of operations of the Farm Credit Bank of Texas (the Bank) for the three months ended March 31, 2025. The commentary should be read in conjunction with the accompanying financial statements, notes to the financial statements (notes), additional sections of this report and the 2024 Annual Report to shareholders. The accompanying financial statements were prepared under the oversight of the Bank's audit committee.

The Bank 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 United States (U.S.) is currently served by three Farm Credit Banks (FCBs) and one Agricultural Credit Bank (ACB). Each of the FCBs has specific authority to fund affiliated associations and other financing institutions (OFIs) which make loans to agricultural producers, farm-related businesses and rural homeowners within a regional chartered territory (or district). The ACB has the same lending authority as the FCBs within its chartered territory and has additional authority to finance agricultural cooperatives and rural utilities nationwide. The FCBs and the ACB are collectively referred to as "System banks." The primary purpose of the System banks is to serve as a source of funding for System associations within their respective districts. The System associations make loans to or for the benefit of borrowers for qualified purposes. At March 31, 2025, the Bank provided financing to 12 associations within its chartered territory (District Associations) and certain OFIs.

The accompanying financial statements relate solely to the Bank and exclude financial information of the District Associations. The Bank and the District Associations are collectively referred to as the Texas District. The Bank separately publishes certain unaudited combined financial information of the Texas District, including a condensed statement of condition and statement of income, which can be found on the Bank's website at [www.farmcreditbank.com](http://www.farmcreditbank.com).

### **CONDITIONS IN THE TEXAS DISTRICT**

The Bank 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 Bank has remained strong. Risk factors such as high production costs, elevated cost of debt and trade uncertainty are paramount drivers of credit quality.

Trade uncertainty has been rattling the markets with the United States announcing the imposition of tariffs on all imports. Retaliatory measures have been taken by certain countries and negotiations are taking place. On April 9, 2025, the Administration announced a 90-day suspension of additional tariffs beyond the base 10 percent tariff applicable to all countries. The tariff suspension did not apply to China and duties were hiked to 125 percent. For Canada and Mexico, goods covered by the U.S., Canada and Mexico trade agreement will continue to have preferential treatment.

The percentage change in the Consumer Price Index for All Urban Consumers decelerated for a second consecutive month in March to 2.4 percent and was similarly down from 3.5 percent year-

over-year (YoY). Inflation remains persistently above the Federal Reserve's long-term target of approximately 2.0 percent but has made significant progress from the peak of 9.1 percent reached in 2022. The target federal funds range was unchanged at 4.25 – 4.50 percent during the January and March 2025 meetings of the Federal Open Market Committee (FOMC), but the target range has decreased by 1.0 percent YoY.

On March 27, 2025, the U.S. Bureau of Economic Analysis released its third estimate of real gross domestic product (GDP) for the fourth quarter of 2024. Real GDP increased at an annual rate of 2.4 percent, down from 3.1 percent during the previous quarter and down from 3.2 percent during the year-ago period. The deceleration in real GDP in the fourth quarter of 2024 primarily reflected downturns in investments and exports that were partially offset by an increase in consumer spending. Within the Texas District, the fourth quarter 2024 annualized real GDP growth rate ranged from a low of 2.6 percent in New Mexico to a high of 4.2 percent in Mississippi. Texas' real GDP grew at an annual rate of 3.5 percent in the fourth quarter, above the national average of 2.4 percent. In general, real GDP growth decelerated in the Texas District over the fourth quarter of 2024.

The Bureau of Labor Statistics announced on April 4, 2025, that the U.S. unemployment rate was 4.2 percent in March 2025, ticking up from the prior quarter (4.1 percent) and higher than a year ago (3.9 percent). The March 2025 state unemployment rates in the Texas District ranged from a low of 3.3 percent in Alabama to a high of 4.4 percent in Louisiana. The Texas unemployment rate remained steady at 4.1 percent month-over-month (MoM) in February 2025. Overall, unemployment rates in the Texas District remain relatively stable, increasing quarter-over-quarter (QoQ) only in Mississippi.

In terms of relevant Texas District commodities, the quarterly average spot price of West Texas Intermediate crude oil increased QoQ by about 1.5 percent, reflecting high fuel demand driven by the winter heating season and by colder than normal temperatures, while YoY the price decreased by about 7.0 percent. The March 2025 S&P Global Agricultural Commodity Price Watch (S&P Global) estimated that the U.S. average farm prices of key Texas District crops (e.g., corn, soybeans and wheat) increased in the first quarter of 2025, while cotton prices declined. Quarterly average livestock prices (e.g., steers, barrows/gilts and broilers) were estimated to have increased QoQ and YoY in March 2025, as demand remained historically strong and supply was tight. Regarding dairy prices, the quarterly average farm level milk price was estimated to have decreased QoQ by less than 5.0 percent but increased YoY by more than 10.0 percent. S&P Global similarly reported that the U.S. egg supply is recovering from the avian flu outbreaks, but sustained production growth is needed for price normalization. In terms of lumber, the quarterly average front-month random length lumber futures prices increased QoQ and YoY.

On March 31, 2025, the U.S. Department of Agriculture released its 2025 Farm Prospective Plantings report, the first official survey-based estimates of U.S. farmers' planting intentions in 2025. Per the report, prospective plantings are mixed across the Texas District. Corn planting intentions are up YoY in all Texas District states from 13 percent in Louisiana to 41 percent in Mississippi, compared to a 5 percent increase for the U.S. Change in wheat planted area for the Texas District is minimal and in line with the rest of the U.S. Planting intentions for cotton are down in all Texas District states from 8 percent in Texas to 39 percent in New Mexico, compared to a 12 percent decrease for the U.S. The Texas District is a major cotton grower, representing more than 50 percent of the U.S. cotton production. These estimates are derived via a survey of farmers' intentions and are subject to change throughout the season.

The combined Drought Monitor for the five Texas District states as of March 25, 2025, indicates that drought conditions categorized as severe, extreme and exceptional more than doubled from the prior quarter, reaching about 39 percent. Additionally, drought in these three categories was about three times greater than the year-ago period.

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

## **RESULTS OF OPERATIONS**

### **Net Income**

Net income for the three months ended March 31, 2025 was \$51.6 million, an increase of \$2.6 million, or 5.33 percent, over the same period of 2024. The increase in net income was driven by increases of \$9.9 million in net interest income and of \$3.4 million in noninterest income, partially offset by an increase of \$10.7 million in the provision for credit losses on loans.

### **Net Interest Income**

Net interest income for the three months ended March 31, 2025, was \$95.5 million, an increase of \$9.9 million, or 11.62 percent, from the three months ended March 31, 2024. The increase in net interest income reflects the impact of a \$2.49 billion increase in the Bank's average interest earning assets and a 3 basis point increase in the net interest rate spread from 0.80 percent to 0.83 percent. The increase in the net interest rate spread reflects the impact of a 9 basis point increase in the yield on average interest-earning assets, partially offset by a 6 basis point increase in the average rate paid on interest-bearing liabilities. Net interest margin was 0.99 percent for the three months ended March 31, 2025, compared to 0.94 percent for the three months ended March 31, 2024. Net interest margin for the three months ended March 31, 2025, benefited from a higher net interest rate spread and a 2 basis point increase in income earned on earning assets funded by noninterest-bearing sources (principally capital).

During the three months ended March 31, 2025 and 2024, the Bank reduced its interest expense by calling and replacing fixed-rate debt totaling \$420.0 million and \$210.0 million, respectively. As a result of this call activity, the Bank recognized concession expense of \$952 thousand and \$489 thousand during the three months ended March 31, 2025 and 2024, respectively.

### **Provision for Credit Losses on Loans**

During the three months ended March 31, 2025, the Bank recorded provision for credit losses on loans of \$14.7 million compared to \$4.0 million in the same period of 2024. The provision for credit losses on loans for the three months ended March 31, 2025, reflects specific reserves for certain loans in the production and intermediate-term and agribusiness loan sectors and higher general reserves due to credit deterioration for select borrowers in the agribusiness loan sector. Overall loan credit quality remained stable at 99.45 percent acceptable and special mention at March 31, 2025 as compared to 99.63 percent at December 31, 2024.

### **Noninterest Income**

Noninterest income for the three months ended March 31, 2025, was \$11.9 million, an increase of \$3.4 million, or 39.75 percent, for the same period of 2024. The increase was primarily driven by a return of excess insurance funds from the Farm Credit System Insurance Corporation (FCSIC) of \$2.6 million in March 2025 and higher fees for loan-related services of \$518 thousand. The increase for the first quarter of 2025 was also attributable to the absence of losses on loan sales of \$621

thousand that were recognized during the first quarter of the prior year. The increase was partially offset by higher valuation losses of \$888 thousand on certain Rural Business Investment Companies (RBICs).

## Noninterest Expense

Noninterest expense for the three months ended March 31, 2025, was \$41.2 million, largely flat compared to the same period of 2024. The increase in salaries and employee benefits, due to normal merit increases, was offset by a decrease in occupancy and equipment expenses due to lower computer equipment and software costs.

The expense for FCSIC insurance premiums is directly impacted by the premium rate assessed by FCSIC. The FCSIC board meets periodically throughout the year to review premium rates. The premium rates are 10 basis points for 2025 and were 10 basis points for 2024.

## Key Results of Operations

	Annualized for the Three Months Ended March 31,	
	2025	2024
Return on average assets	0.53%	0.53%
Return on average shareholders' equity	11.12	11.42
Net interest margin	0.99	0.94
Charge-offs, net of recoveries, to average loans	—	—
Operating expenses as a percentage of net interest income and noninterest income	38.35	43.74
Operating expenses as a percentage of average earning assets	0.43	0.45

## Other Comprehensive Income (Loss)

Other comprehensive income (loss) consists of certain gains, losses or costs for which values are included in assets or liabilities on the Balance Sheet but have not yet been recognized in earnings. On the Balance Sheet, they are included in accumulated other comprehensive loss in the statement of shareholders' equity. These elements include unrealized gains or losses on the Bank's available-for-sale (AFS) investment portfolio, changes in elements of the postretirement benefit plans and changes in the value of cash flow derivative instruments.

The table below summarizes the changes in elements included in other comprehensive income (loss):

	Three Months Ended March 31,	
	2025	2024
Change in unrealized losses on AFS securities:		
Net decrease (increase) in unrealized losses on AFS securities	\$ 60,754	\$ (15,388)
Net change in unrealized (losses) gains on AFS securities	60,754	(15,388)
Change in postretirement benefit plans:		
Amortization of prior service credits and actuarial gains	—	(54)
Net change in postretirement benefit plans	—	(54)
Change in cash flow derivative instruments:		
Net (decrease) increase in unrealized gains on cash flow derivative instruments	(22,945)	26,284
Reclassification of losses recognized in interest income	48	58
Net change in cash flow derivative instruments	(22,897)	26,342
Other comprehensive income (loss)	\$ 37,857	\$ 10,900

During the three months ended March 31, 2025, the Bank recognized other comprehensive income of \$37.9 million compared to other comprehensive income of \$10.9 million in the prior year period. The increase was driven by a decline in unrealized losses on the Bank's AFS securities, partially offset by unrealized losses on cash flow derivative instruments resulting from changes in the valuation of interest rate swaps held by the Bank.

## FINANCIAL CONDITION

### Loan Portfolio

Gross loan volume at March 31, 2025, was \$32.51 billion, an increase of \$691.7 million, or 2.17 percent, compared to \$31.82 billion at December 31, 2024, reflecting an increase in the capital markets loan portfolio of \$355.1 million and an increase in the direct note receivables from District Associations and OFIs of \$336.6 million.

The capital markets loan portfolio at March 31, 2025 was \$9.54 billion. The increase in the capital markets loan portfolio primarily resulted from increased borrowings in the agribusiness and energy loan sectors, partially offset by decreases in the real estate mortgage and production and intermediate term loan sectors due to loan paydowns.

The Bank's capital markets loan portfolio, also referred to as the participations purchased loan portfolio, predominantly includes participations, syndications, and purchased whole loans, along with other financing structures within our lending authorities. In addition to purchasing loans from District Associations, which may exceed their hold limits, the Bank seeks the purchase of participations and syndications originated outside of the Texas District's territory by other System institutions, commercial banks and other lenders. The Bank's capital markets loan portfolio depends to a significant degree on relationships with other Farm Credit institutions. These loans may be held as interest earning assets of the Bank or sub-participated to District Associations or to other System entities.

Loans held for sale totaled \$7.8 million at March 31, 2025 compared to \$8.0 million at December 31, 2024, which are included in other assets and carried at fair value. There were no losses for loans held for sale recognized for the three months ended March 31, 2025 or 2024.

The Bank has purchased loan participations and Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agricultural mortgage-backed securities (AMBS) from District

Associations in Capitalized Participation Pool (CPP) transactions. There were no CPP purchases during the three months ended March 31, 2025. CPP loans held at March 31, 2025, totaled \$53.8 million and were included in loans on the Balance Sheet. The balance of the AMBS CPP was \$6.0 million at March 31, 2025, and was included in investment securities on the Balance Sheet.

The Bank has purchased loans from District Associations in Non-Capitalized Participation Pool (NCP) transactions. The NCP loans' balance was \$166.6 million at March 31, 2025, and was included in loans on the Balance Sheet.

At March 31, 2025, and December 31, 2024, 99.45 percent and 99.63 percent, respectively, of the Bank's loans were classified as either acceptable or other assets especially mentioned under the Farm Credit Administration's Uniform Loan Classification System based on the amortized cost basis of the loans (principal balance adjusted for discounts, premiums, charge-offs, recoveries and deferred loan fees or costs).

The table below summarizes the amortized cost of the Bank's nonperforming assets, which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned, at March 31, 2025, and December 31, 2024:

	March 31, 2025	December 31, 2024	Change	
			\$	%
Nonaccrual loans	\$ 60,108	\$ 42,303	\$ 17,805	42.09 %
Accruing loans 90 days or more past due	—	—	—	—
Total	60,108	42,303	17,805	42.09
Other property owned	3,463	4,854	(1,391)	(28.66)
Total	\$ 63,571	\$ 47,157	\$ 16,414	34.81 %

Nonaccrual loans at March 31, 2025, increased during the three months ended March 31, 2025 due to the transfer of an agribusiness loan of \$20.9 million to nonaccrual, with the establishment of a specific reserve of \$1.2 million. Other property owned (OPO) is held for sale and consists of real and personal property acquired through collection activities. The Bank had no accruing loans 90 days or more past due at March 31, 2025 and December 31, 2024. At March 31, 2025, the Bank had \$3.5 million in OPO as compared to \$4.9 million at December 31, 2024. The decline in OPO is due to the receipt of proceeds from the sale of underlying collateral. At March 31, 2025, and December 31, 2024, total nonperforming assets represented 0.20 percent and 0.15 percent of total loans and OPO, respectively.

At March 31, 2025, the Bank had an allowance for credit losses totaling \$54.8 million, with an allowance for credit losses on loans of \$48.2 million and an allowance for credit losses on unfunded commitments of \$6.6 million. The allowance for credit losses relates to the Bank's capital markets loan portfolio. The allowance for credit losses of \$48.2 million at March 31, 2025, equated to 15 basis points of total loans outstanding and 51 basis points of capital market loans outstanding. At December 31, 2024, the Bank had an allowance for credit losses totaling \$39.9 million, with an allowance for credit losses on loans of \$34.6 million and an allowance for credit losses on unfunded commitments of \$5.3 million. At March 31, 2025 and December 31, 2024, there was no allowance for credit losses associated with the direct note receivable portfolio.

The allowance for credit losses as a percentage of nonperforming assets was 86.20 percent at March 31, 2025, compared to 84.54 percent at December 31, 2024.



## Liquidity and Funding Sources

The Bank's primary source of liquidity is the ability to issue Systemwide debt securities, which are the general unsecured joint and several obligations of the System banks. For the three months ended March 31, 2025, the System continued to have reliable access to the debt capital markets to support its mission of providing credit to farmers, ranchers and other eligible borrowers. As a secondary source of liquidity, the Bank maintains an investment portfolio composed primarily of high-quality liquid securities. These securities provide a stable source of income for the Bank, and their high quality ensures the portfolio can quickly be converted to cash should the need arise.

Cash, federal funds sold, overnight investments and investment securities totaled \$7.33 billion, or 18.18 percent, of total assets at March 31, 2025, compared to \$7.14 billion, or 18.07 percent, of total assets at December 31, 2024. At March 31, 2025, the Bank's cash balance was \$98.3 million, of which \$60.4 million was held at the Federal Reserve Bank.

Each System bank is required to maintain a minimum of 90 days of liquidity coverage on a continuous basis. The days of liquidity measurement refers to the number of days that maturing debt could be funded with eligible cash and investment securities. At March 31, 2025, the Bank exceeded all applicable regulatory liquidity requirements and had 199 days of liquidity.

## Investments

The Bank's investments are classified as AFS and include a liquidity portfolio and a portfolio of other investments. The majority of the liquidity portfolio's MBS includes Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) securities. The Bank's liquidity portfolio and other investment holdings are summarized in the following table:

	March 31, 2025		December 31, 2024	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Liquidity Portfolio:				
Agency-guaranteed debt	\$ 6,099	\$ 6,025	\$ 9,739	\$ 9,608
Certificates of deposit	325,000	325,098	250,000	250,084
Corporate debt	29,994	29,754	59,993	59,528
Federal agency collateralized mortgage-backed securities:				
GNMA	3,187,772	2,815,740	3,265,069	2,853,858
FNMA and FHLMC	2,785,114	2,686,160	2,649,128	2,529,593
U.S. Treasury securities	823,468	823,926	824,071	824,223
Asset-backed securities	153,086	152,960	109,494	109,037
Total liquidity investments	7,310,533	6,839,663	7,167,494	6,635,931
Other Investments:				
Agricultural mortgage-backed securities	6,598	5,969	7,243	6,553
Total investments	\$ 7,317,131	\$ 6,845,632	\$ 7,174,737	\$ 6,642,484

FCA regulations also define eligible investments by specifying credit criteria and the percentage of investment portfolio limit for each investment type. If an investment no longer meets the eligibility criteria, the investment becomes ineligible for inclusion in the liquidity portfolio. At March 31, 2025, the Bank had no investments which were ineligible for liquidity purposes.

The Bank evaluates non-guaranteed investment securities with unrealized losses for impairment on a quarterly basis. As a result of the assessment as of March 31, 2025 and December 31, 2024, the Bank concluded that it does not intend to sell any securities and it is not more likely than not that it would be required to sell any securities, prior to recovery of the amortized cost basis. The Bank concluded that a credit impairment did not exist at March 31, 2025 and December 31, 2024.

## Capital Resources

In January 2025, the Bank's Board of Directors approved a change to the Bank's capitalization policy. Through 2024, District Associations and qualifying OFIs were required to maintain an investment in the Bank equal to 2.00 percent of their average borrowings from the Bank as determined on an annual basis. Beginning in 2025, this investment requirement increased to 2.50 percent of their average borrowings from the Bank and will be determined on a semi-annual basis to support growth across the Texas District. This resulted in an increase in the Bank's shareholder equity in the first quarter of 2025.

At March 31, 2025, the Bank's total shareholders' equity totaled \$2.01 billion and consisted of \$750.0 million of Class B noncumulative subordinated perpetual preferred stock, \$676.4 million of capital stock, \$1.01 billion of retained earnings and \$428.3 million of accumulated other comprehensive losses. Shareholders' equity at March 31, 2025 increased by \$230.4 million from year-end 2024 due to net income of \$51.6 million, a decrease in other accumulated loss of \$37.9 million, and the net issuance of capital stock of \$153.5 million, partially offset by preferred stock dividends of \$12.4 million.

FCA regulations require the Bank to maintain minimum ratios, including capital conservation buffers, for various regulatory capital ratios. At March 31, 2025, the Bank exceeded all regulatory capital requirements including the capital conservation buffers. The following table reflects the Bank's regulatory capital ratios as of:

	March 31, 2025	December 31, 2024	Total Regulatory Requirements Including Capital Conservation Buffers
Permanent capital ratio	12.66 %	13.07 %	7.00 %
Common equity tier 1 ratio	8.29	8.58	7.00
Tier 1 capital ratio	12.64	13.04	8.50
Total capital ratio	12.87	13.30	10.50
Tier 1 leverage ratio	5.52	5.64	5.00
UREE leverage ratio	1.88	2.18	1.50

## DERIVATIVE PRODUCTS

Derivative products are a part of the Bank's interest rate risk management process and are used to manage interest rate and liquidity risks and to lower the overall cost of funds. The Bank does not hold or enter into derivative transactions for trading purposes. The aggregate notional amount of the Bank's derivative products was \$1.50 billion at March 31, 2025, and December 31, 2024. At March 31, 2025, cleared counterparties' net credit asset exposure to the Bank was \$31.3 million, compared to \$34.5 million at December 31, 2024. At March 31, 2025, the notional amount of cleared cash flow hedges was \$1.40 billion with associated posted initial margin of \$31.6 million. At March 31, 2025, the Bank had received cash collateral from the counterparty of \$45.3 million and had a derivative asset value of \$42.5 million, compared to a derivative asset value of \$65.5 million at December 31, 2024. Cleared derivatives require the payment of initial and variation margin as protection against default. As of March 31, 2025, the Bank had a net cash collateral asset position of \$13.7 million compared to a \$34.2 million net cash collateral asset position at December 31, 2024.

## **REGULATORY MATTERS**

At March 31, 2025, there were no District Associations operating under written agreements with the Farm Credit Administration (FCA).

On February 13, 2025, the FCA extended the public comment period for its proposed rule regarding Annual Independent Audits and Internal Controls Over Financing Reporting (ICFR) to March 31, 2025. This rule would require certain Farm Credit System (System) institutions to obtain integrated audits under certain conditions.

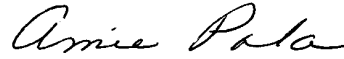
On February 8, 2024, the FCA approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) exposures by assigning a 150.00 percent risk-weighting to such exposures, instead of the current 100.00 percent to reflect their increased risk characteristics. The rule further ensures comparability between the FCA's risk-weighting and the federal banking regulators. The final rule excludes certain acquisition, development and construction loans that do not present as much risk and, therefore, do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated for less than \$500 thousand. The effective date of the final rule has been extended to January 1, 2026 from the original effective date of January 1, 2025.

## Report of Management

The undersigned certify that we have reviewed the March 31, 2025, quarterly report of the Farm Credit Bank of Texas, that the report has been prepared in accordance with all applicable statutory or regulatory requirements, and that the information included herein is true, accurate and complete to the best of our knowledge and belief.



James F. Dodson  
Chair of the Board



Amie Pala  
Chief Executive Officer



Brandon Blaut  
Executive Vice President, Chief Operating Officer and  
Interim Chief Financial Officer

May 9, 2025

## Controls and Procedures

As of March 31, 2025, management of the Farm Credit Bank of Texas (the Bank) carried out an evaluation with the participation of the Bank's management, including the chief executive officer (CEO) and chief financial officer (CFO), of the effectiveness of the design and operation of the respective disclosure controls and procedures<sup>(1)</sup> with respect to this quarterly report. This evaluation is based on testing of the design and effectiveness of key internal controls, certifications and other information furnished by the CEO and CFO of the Bank, as well as incremental procedures performed by the Bank. Based upon and as of the date of the Bank's evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective in alerting them on a timely basis of any material information relating to the Bank that is required to be disclosed by the Bank in the quarterly information statement it files or submits to the Farm Credit Administration.

There have been no significant changes in the Bank's internal control over financial reporting<sup>(2)</sup> that occurred during the quarter ended March 31, 2025, that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.



Amie Pala  
Chief Executive Officer



Brandon Blaut  
Executive Vice President, Chief Operating Officer and  
Interim Chief Financial Officer

May 9, 2025

<sup>(1)</sup> For purposes of this discussion, "disclosure controls and procedures" are defined as controls and procedures of the Bank that are designed to ensure that the financial information required to be disclosed by the Bank in this quarterly report is recorded, processed, summarized and reported within the time periods specified under the rules and regulations of the Farm Credit Administration.

<sup>(2)</sup> For purposes of this discussion, "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the Bank's principal executive officer and principal financial officer, or persons performing similar functions, and effected by the Bank's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Bank's financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Bank's financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on the Bank's financial statements.

## Certification

I, Amie Pala, certify that:

1. I have reviewed this quarterly report of the Bank.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Bank as of, and for, the periods presented in this report.
4. The Bank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Bank and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank is made known to us, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.
5. The Bank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the Bank's Audit Committee:
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.



Amie Pala  
Chief Executive Officer

May 9, 2025

## Certification

I, Brandon Blaut, certify that:

1. I have reviewed this quarterly report of the Bank.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Bank as of, and for, the periods presented in this report.
4. The Bank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Bank and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank is made known to us, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.
5. The Bank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the Bank's Audit Committee:
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.



Brandon Blaut  
Executive Vice President, Chief Operating Officer  
and Interim Chief Financial Officer

May 9, 2025

## Balance Sheets

(Unaudited, dollars in thousands)

	March 31, 2025	December 31, 2024
<b>Assets</b>		
Cash	\$ 98,265	\$ 39,640
Federal funds sold and overnight investments	384,657	455,323
Investment securities	6,845,632	6,642,484
Loans	32,512,657	31,820,946
Less allowance for credit losses on loans	48,178	34,597
Net loans	32,464,479	31,786,349
Accrued interest receivable	158,147	155,360
Premises and equipment, net	101,908	105,462
Other assets	265,907	311,471
<b>Total assets</b>	<b>\$ 40,318,995</b>	<b>\$ 39,496,089</b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Bonds and notes, net	\$ 37,920,013	\$ 37,158,770
Accrued interest payable	252,345	237,027
Allowance for credit losses on unfunded commitments	6,618	5,270
Preferred stock dividends payable	12,350	12,350
Patronage payable	—	147,854
Other liabilities	117,287	154,827
<b>Total liabilities</b>	<b>\$ 38,308,613</b>	<b>\$ 37,716,098</b>
<b>Commitments and contingencies (Note 5)</b>		
<b>Shareholders' equity</b>		
Preferred stock	\$ 750,000	\$ 750,000
Capital stock	676,386	522,918
Allocated retained earnings	108,955	109,027
Unallocated retained earnings	903,331	864,193
Accumulated other comprehensive loss	(428,290)	(466,147)
<b>Total shareholders' equity</b>	<b>2,010,382</b>	<b>1,779,991</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 40,318,995</b>	<b>\$ 39,496,089</b>

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



# Statements of Comprehensive Income

(Unaudited, dollars in thousands)

	Three Months Ended March 31,	
	2025	2024
<b>Interest income</b>		
Loans	\$ 362,778	\$ 332,511
Investment securities	64,571	62,312
<b>Total interest income</b>	<b>427,349</b>	<b>394,823</b>
<b>Interest expense</b>		
Bonds and notes	331,801	309,219
<b>Net interest income</b>	<b>95,548</b>	<b>85,604</b>
Provision for credit losses on loans	14,670	3,997
<b>Net interest income after provision for credit losses on loans</b>	<b>80,878</b>	<b>81,607</b>
<b>Noninterest income</b>		
Patronage income	3,839	4,193
Fees for services to District Associations	3,375	2,834
Fees for loan-related services	2,933	2,415
Refunds from Farm Credit System Insurance Corporation (FCSIC)	2,616	—
Other loss, net	(900)	(953)
<b>Total noninterest income</b>	<b>11,863</b>	<b>8,489</b>
<b>Noninterest expense</b>		
Salaries and employee benefits	16,583	15,624
Occupancy and equipment	11,170	12,175
FCSIC premiums	3,003	2,993
Other components of net periodic postretirement benefit cost	142	79
Other operating expenses	10,292	10,282
<b>Total noninterest expense</b>	<b>41,190</b>	<b>41,153</b>
<b>Net income</b>	<b>51,551</b>	<b>48,943</b>
<b>Other comprehensive income</b>		
Change in postretirement benefit plans	—	(54)
Change in unrealized losses on investments	60,754	(15,388)
Change in cash flow derivative instruments	(22,897)	26,342
<b>Total other comprehensive income</b>	<b>37,857</b>	<b>10,900</b>
<b>Comprehensive Income</b>	<b>\$ 89,408</b>	<b>\$ 59,843</b>

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

# Statements of Changes in Shareholders' Equity

(Unaudited, dollars in thousands)

	Preferred Stock	Capital Stock	Retained Earnings		Accumulated Other Comprehensive Loss	Total Shareholders' Equity
			Allocated	Unallocated		
Balance at December 31, 2023	\$ 750,000	\$ 495,844	\$ 101,789	\$ 860,572	\$ (521,511)	\$ 1,686,694
Net income	—	—	—	48,943	—	48,943
Other comprehensive income	—	—	—	—	10,900	10,900
Capital stock and allocated retained earnings issued	—	153	—	—	—	153
Capital stock and allocated retained earnings retired	—	(2,411)	—	—	—	(2,411)
Preferred stock dividends	—	—	—	(13,720)	—	(13,720)
Patronage distributions						
Cash adjustment	—	—	—	42	—	42
Shareholders' equity	—	—	36	(36)	—	—
Balance at March 31, 2024	<u>\$ 750,000</u>	<u>\$ 493,586</u>	<u>\$ 101,825</u>	<u>\$ 895,801</u>	<u>\$ (510,611)</u>	<u>\$ 1,730,601</u>
Balance at December 31, 2024	\$ 750,000	\$ 522,918	\$ 109,027	\$ 864,193	\$ (466,147)	\$ 1,779,991
Net income	—	—	—	51,551	—	51,551
Other comprehensive income	—	—	—	—	37,857	37,857
Capital stock and allocated retained earnings issued	—	153,716	—	—	—	153,716
Capital stock and allocated retained earnings retired	—	(248)	—	—	—	(248)
Preferred stock dividends	—	—	—	(12,350)	—	(12,350)
Patronage distributions						
Cash	—	—	—	(135)	—	(135)
Shareholders' equity	—	—	(72)	72	—	—
Balance at March 31, 2025	<u>\$ 750,000</u>	<u>\$ 676,386</u>	<u>\$ 108,955</u>	<u>\$ 903,331</u>	<u>\$ (428,290)</u>	<u>\$ 2,010,382</u>

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

# Statements of Cash Flows

(Unaudited, dollars in thousands)

	Three Months Ended March 31,	
	2025	2024
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 51,551	\$ 48,943
Reconciliation of net income to net cash provided by operating activities:		
Provision for credit losses on loans	14,670	3,997
Depreciation and amortization on premises and equipment	4,302	5,204
Premium amortization on loans	(1,960)	(1,469)
Amortization and accretion on debt instruments	(1,757)	(12,138)
Discount accretion on investments	(2)	(1,538)
(Gains) losses on sales of loans	(1)	621
Allocated equity patronage from System bank (distributed) retired	(3,401)	(3,591)
Loss on disposals of premises and equipment	38	8
Increase in accrued interest receivable	(2,787)	(3,366)
Decrease in other assets, net	45,809	12,513
Increase in accrued interest payable	15,318	28,400
Decrease in other liabilities, net	(101,515)	(60,440)
<b>Net cash provided by operating activities</b>	<b>20,265</b>	<b>17,144</b>
<b>Cash Flows From Investing Activities</b>		
Net increase in federal funds sold and repurchase agreements	70,666	25,771
Investment securities		
Purchases	(611,511)	(347,925)
Proceeds from maturities, calls and prepayments	469,119	358,340
Increase in loans, net	(763,881)	(379,019)
Proceeds from sales of loans	73,970	9,339
Proceeds from disposal of other property owned	1,391	—
Proceeds from sales of premises and equipment	56	—
Expenditures for premises and equipment	(842)	(3,785)
Decrease (increase) in equity investments	627	(1,662)
<b>Net cash used in investing activities</b>	<b>(760,405)</b>	<b>(338,941)</b>
<b>Cash Flows From Financing Activities</b>		
Bonds and notes issued	4,675,000	4,510,000
Bonds and notes retired	(3,912,000)	(4,210,000)
Decrease in cash collateral posted with a counterparty	64,395	1,001
(Decrease) increase in cash collateral posted by a counterparty	(21,759)	29,665
Capital stock issued	153,716	153
Capital stock retired and allocated retained earnings distributed	(248)	(2,411)
Cash dividends on preferred stock	(12,350)	(13,780)
Cash patronage distributions paid	(147,989)	(50,797)
<b>Net cash provided by financing activities</b>	<b>798,765</b>	<b>263,831</b>
Net increase (decrease) in cash	58,625	(57,966)
Cash at beginning of year	39,640	78,170
<b>Cash at End of Quarter</b>	<b>\$ 98,265</b>	<b>\$ 20,204</b>
<b>Supplemental Schedule of Noncash Investing and Financing Activities</b>		
Net decrease (increase) in unrealized losses on investment securities	\$ 60,754	\$ (15,388)
Preferred stock dividends payable	12,350	13,738
Patronage distribution stock adjustment	72	36
<b>Supplemental Information</b>		
Interest paid	\$ 316,483	280,819

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

## Notes to Financial Statements

*(Unaudited, dollar amounts in thousands, except as noted)*

### NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Farm Credit Bank of Texas (the Bank) is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions. At March 31, 2025, the Bank provided financing to 12 associations within its chartered territory (District Associations) and certain OFIs. These financial statements relate solely to the Bank and exclude financial information of the District Associations.

Effective December 1, 2024, two of the Bank's affiliated District Associations, Heritage Land Bank, ACA and Texas Farm Credit Services, merged and are doing business as Texas Farm Credit Services.

The accompanying unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. 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 U.S. GAAP and the rules of the Farm Credit Administration (FCA). This report should be read in conjunction with the audited financial statements for the year ended December 31, 2024, as contained in the 2024 annual report to shareholders (2024 Annual Report).

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

In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods have been made. The preparation of the financial statements in accordance with U.S. 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 year ending December 31, 2025. Descriptions of the significant accounting policies are included in the 2024 Annual Report. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with U.S. GAAP and prevailing practices within the banking industry.

### Recently Issued or Adopted Accounting Pronouncements

In November 2024, the FASB issued an update entitled "Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures: Disaggregation of Income Statement Expenses." This update applies to all public business entities, and requires disclosure, in the notes to financial statements, of specified information about certain costs and expenses. The amendments require that at each interim and annual reporting period an entity:

- Disclose the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion and amortization recognized as part of oil and gas-producing activities (or other amounts of depletion expense) included in each relevant expense caption. A relevant expense caption is an expense caption presented on the face of the income statement within continuing operations that contains any of the expense categories listed in (a) through (e).
- Include certain amounts that are already required to be disclosed under current GAAP in the same disclosure as the other disaggregation requirements.

- Disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively.
- Disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses.

The amendments are effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this update, or (2) retrospectively to any or all periods presented in the financial statements. The Bank is currently assessing the potential impact of this update on its disclosures.

In November 2023, the FASB issued an update entitled "Segment Reporting: Improvements to Reportable Segment Disclosures." The amendments in this update improved reportable segment disclosures but did not change the definition of a segment, method of determining a segment, or the criteria for aggregating operating segments. The standard required a public entity to disclose the following on an annual and interim basis: 1) significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss; 2) composition and aggregate amount of other segment items, which represent the difference between profit or loss and segment revenues less significant segment expenses; 3) the title and position of the CODM; and 4) an explanation of how the CODM uses the reported segment measures in assessing segment performance and deciding how to allocate resources.

Even if a public entity has a single reportable segment, it is required to provide all disclosures set forth in the update and all existing segment disclosures. The amendments in the update were to be applied retrospectively to all prior periods presented and are effective for fiscal years beginning after December 31, 2024, and interim periods within fiscal years beginning after December 15, 2024. The adoption of this guidance did not have an impact on the Bank's financial condition or results of operations or cash flows but impacted disclosures with the addition of a new segment footnote.

## **NOTE 2 — INVESTMENT SECURITIES**

### **Available-for-Sale Investments**

The Bank's available-for-sale (AFS) investments include a liquidity portfolio and a portfolio of other investments. The liquidity portfolio consists primarily of agency-guaranteed debt instruments, mortgage-backed securities (MBS), U.S. Treasury securities, asset-backed securities (ABS), corporate debt and certificates of deposit. The majority of the liquidity portfolio's MBS were federal agency-guaranteed collateralized MBS, including Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) securities. The Bank's other investments portfolio consists of Federal Agricultural Mortgage Corporation (Farmer Mac) guaranteed agricultural mortgage-backed securities (AMBS) purchased from District Associations.

A summary of the amortized cost and fair value of the AFS investment securities in the liquidity portfolio and other investment portfolio at March 31, 2025, and December 31, 2024, is included in the following tables:

March 31, 2025	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Liquidity Portfolio:					
Agency-guaranteed debt	\$ 6,099	\$ —	\$ (74)	\$ 6,025	2.83%
Certificates of deposit	325,000	120	(22)	325,098	4.67
Corporate debt	29,994	191	(431)	29,754	2.85
Federal agency collateralized mortgage-backed securities:					
GNMA	3,187,772	1,701	(373,733)	2,815,740	2.56
FNMA and FHLMC	2,785,114	4,960	(103,914)	2,686,160	3.92
U.S. Treasury securities	823,468	541	(83)	823,926	4.36
Asset-backed securities	153,086	260	(386)	152,960	4.67
Total liquidity investments	7,310,533	7,773	(478,643)	6,839,663	3.42
Other Investments:					
Agricultural mortgage-backed securities	6,598	—	(629)	5,969	5.59
Total investments	<u>\$ 7,317,131</u>	<u>\$ 7,773</u>	<u>\$ (479,272)</u>	<u>\$ 6,845,632</u>	

December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Liquidity Portfolio:					
Agency-guaranteed debt	\$ 9,739	\$ 1	\$ (132)	\$ 9,608	2.97%
Certificates of deposit	250,000	84	—	250,084	4.82
Corporate debt	59,993	117	(582)	59,528	3.99
Federal agency collateralized mortgage-backed securities:					
GNMA	3,265,069	478	(411,689)	2,853,858	2.59
FNMA and FHLMC	2,649,128	3,218	(122,753)	2,529,593	3.94
U.S. Treasury securities	824,071	484	(332)	824,223	4.47
Asset-backed securities	109,494	90	(547)	109,037	4.77
Total liquidity investments	7,167,494	4,472	(536,035)	6,635,931	3.43
Other Investments:					
Agricultural mortgage-backed securities	7,243	—	(690)	6,553	5.57
Total investments	<u>\$ 7,174,737</u>	<u>\$ 4,472</u>	<u>\$ (536,725)</u>	<u>\$ 6,642,484</u>	

Accrued interest receivable of \$19.9 million and \$20.7 million as of March 31, 2025, and December 31, 2024, respectively, has been excluded from the amortized cost basis of AFS investments.

There were no investments in a held-to-maturity (HTM) portfolio at March 31, 2025, and December 31, 2024.

The following table summarizes the contractual maturity, estimated fair value, amortized cost and weighted average yield of AFS investments at March 31, 2025:

	Due in One Year Or Less	Due After One Year Through Five Years	Due After Five Years Through 10 Years	Due After 10 Years	Total
Liquidity Portfolio:					
Agency-guaranteed debt	\$ 4,622	\$ 1,403	\$ —	\$ —	\$ 6,025
Certificates of deposit	250,120	74,978	—	—	325,098
Corporate debt	14,563	15,191	—	—	29,754
Federal agency collateralized mortgage-backed securities:					
GNMA	—	10,312	3,184	2,802,244	2,815,740
FNMA and FHLMC	12,271	688,875	688,311	1,296,703	2,686,160
U.S. Treasury securities	523,636	300,290	—	—	823,926
Asset-backed securities	—	43,417	86,826	22,717	152,960
Total fair value	\$ 805,212	\$ 1,134,466	\$ 778,321	\$ 4,121,664	\$ 6,839,663
Total amortized cost	\$ 805,343	\$ 1,135,807	\$ 781,233	\$ 4,588,150	\$ 7,310,533
Weighted average yield	4.41%	4.47%	4.80%	2.75%	3.42%
Other Investments:					
Fair value of agricultural mortgage-backed securities	\$ 123	\$ 5,846	\$ —	\$ —	\$ 5,969
Total amortized cost	\$ 125	\$ 6,473	\$ —	\$ —	\$ 6,598
Weighted average yield	4.07%	5.62%	—%	—%	5.59%

The following table shows investment securities by gross unrealized losses and fair value, aggregated by investment category and length of time that the securities have been in a continuous unrealized loss position at March 31, 2025. The continuous loss position is based on the date the impairment was first identified.

	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Liquidity Portfolio:						
Agency-guaranteed debt	\$ —	\$ —	\$ 5,638	\$ (74)	\$ 5,638	\$ (74)
Certificates of deposit	74,978	(22)	—	—	74,978	(22)
Corporate debt	—	—	14,563	(431)	14,563	(431)
Federal agency collateralized mortgage-backed securities:						
GNMA	401,667	(1,540)	2,202,914	(372,193)	2,604,581	(373,733)
FNMA and FHLMC	412,923	(643)	1,403,620	(103,271)	1,816,543	(103,914)
U.S. Treasury securities	224,503	(83)	—	—	224,503	(83)
Asset-backed securities	73,780	(256)	13,622	(130)	87,402	(386)
Total liquidity investments	1,187,851	(2,544)	3,640,357	(476,099)	4,828,208	(478,643)
Other Investments:						
Agricultural mortgage-backed securities	—	—	5,969	(629)	5,969	(629)
Total investments	\$ 1,187,851	\$ (2,544)	\$ 3,646,326	\$ (476,728)	\$ 4,834,177	\$ (479,272)

At March 31, 2025, U.S. Treasury and agency-guaranteed debt and all (or substantially all) mortgage-backed securities had a zero loss assumption. The Bank does not consider these unrealized losses to be credit-related, and therefore, an allowance for credit losses is not necessary. The Bank evaluates non-guaranteed investment securities with unrealized losses for impairment on a quarterly basis. As a result of the assessment as of March 31, 2025 and December 31, 2024, the Bank concluded that it does not intend to sell any securities and it is not more likely than not that it would be required to sell any securities, prior to recovery of the amortized cost basis. If it is determined that a security is impaired, the Bank will evaluate whether credit impairment exists by comparing the present value of the expected cash flows to the security's amortized cost basis. Credit impairment is recorded as an allowance for credit losses (ACL) for debt securities. The Bank concluded that a credit impairment did not exist at March 31, 2025 and December 31, 2024.

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

#### Loans

Loans comprised the following categories at:

	March 31, 2025	December 31, 2024
Direct notes receivable from District Associations and OFIs	\$ 22,975,319	\$ 22,638,740
Participations purchased	9,537,338	9,182,206
Total	<u>\$ 32,512,657</u>	<u>\$ 31,820,946</u>

A summary of the amortized cost of the Bank's loans by types follows:

	March 31, 2025	December 31, 2024
Direct notes receivable from District Associations	\$ 22,913,161	\$ 22,582,343
Real estate mortgage	1,154,274	1,247,497
Production and intermediate-term	1,295,246	1,342,429
Agribusiness		
Loans to cooperatives	564,815	431,354
Processing and marketing	3,499,606	3,383,019
Farm-related business	231,057	220,916
Communications	720,049	731,090
Energy (rural utilities)	1,685,969	1,444,696
Water and waste disposal	252,668	240,859
Rural home	1,068	1,087
International	126,710	133,218
Mission-related	1,986	1,986
Lease receivables	3,890	4,055
Loans to OFIs	62,158	56,397
Total	<u>\$ 32,512,657</u>	<u>\$ 31,820,946</u>

The Bank's capital markets loan portfolio predominantly includes participations, syndications and purchased whole loans, along with other financing structures within our lending authorities. The Bank also refers to the capital markets portfolio as participations purchased. In addition to purchasing loans from our District Associations, which may exceed their hold limits, the Bank seeks the purchase of participations and syndications originated outside of the Texas District's territory by other System institutions, commercial banks and other lenders. Our capital markets loan portfolio depends to a significant degree on our relationships with other Farm Credit institutions. These loans may be held as interest earning assets of the Bank or sub-participated to District Associations or other System entities. The Bank purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations.



The following table presents information on loan participations and their related amortized cost, excluding syndications, at March 31, 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	\$ 1,175,383	\$ 186,887	\$ 48,000	\$ —	\$ 1,223,383	\$ 186,887
Production and intermediate-term	3,394,509	2,185,849	15,775	—	3,410,284	2,185,849
Agribusiness	2,907,775	941,513	111,351	—	3,019,126	941,513
Communications	901,119	180,598	—	—	901,119	180,598
Energy (rural utilities)	1,805,952	119,889	—	—	1,805,952	119,889
Water and waste disposal	325,601	72,813	—	—	325,601	72,813
Rural home	1,549	—	—	—	1,549	—
International	212,932	86,092	—	—	212,932	86,092
Mission-related	1,986	—	—	—	1,986	—
Lease receivables	4,862	974	—	—	4,862	974
Direct notes receivable from District Associations	—	4,350,000	—	—	—	4,350,000
<b>Total</b>	<b>\$ 10,731,668</b>	<b>\$ 8,124,615</b>	<b>\$ 175,126</b>	<b>\$ —</b>	<b>\$ 10,906,794</b>	<b>\$ 8,124,615</b>

The Bank has purchased loan participations and Farmer Mac guaranteed AMBS from District Associations in Capitalized Participation Pool (CPP) transactions. As a condition of the transactions, the Bank redeemed common stock in the amount of 2.0 percent of the par value of the loans purchased, and the District Associations bought Bank stock equal to 8.0 percent of the purchased loans' par value and 1.6 percent of the AMBS's par value. CPP loans held at March 31, 2025, totaled \$53.8 million and were included in loans on the Balance Sheet. The balance of the AMBS CPP was \$6.0 million at March 31, 2025, and was included in investment securities on the Balance Sheet.

The Bank may also purchase loans from District Associations in Non-Capitalized Participation Pool (NCPP) transactions. As a condition of the transactions, the Bank redeems common stock in the amount of 2.0 percent of the par value of the loans purchased. The NCPP loans balance was \$166.6 million at March 31, 2025, and was included in loans on the Balance Sheet.

During the three months ended March 31, 2025, the Bank sold twelve loans with an amortized cost of \$74.0 million. Gains for loans sold was \$1 thousand for the three months ended March 31, 2025 compared to losses of \$621 thousand for the three months ended March 31, 2024. Loans held for sale totaled \$7.8 million and \$8.0 million at March 31, 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 Bank 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 FCA 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 mortgages may be made on a secured or unsecured basis.

The Bank uses a two-dimensional risk rating model based on an internally generated combined System risk-rating guidance that incorporates a 14-point risk 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 is management's assumption of the probability that a borrower will experience a default during the 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 is past due more than 90 days. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months. This risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. Generally, the Bank reviews the probability of default and loss given default ratings assigned to loans on at least an annual basis.

One credit quality indicator utilized by the Bank is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The 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. Substandard classification is divided between viable and non-viable based on extent of weaknesses and likelihood of collection in full;
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- Loss – assets are considered uncollectible.

The following table presents the amortized cost of loans classified under the Uniform Loan Classification System as a percentage of the amortized cost of total loans:

	March 31, 2025	December 31, 2024
Acceptable	98.63 %	98.72 %
OAEM	0.82	0.91
Substandard	0.55	0.35
Doubtful	—	0.02
Total	100.00 %	100.00 %

The following table presents credit quality indicators by loan type and the related amortized cost loan balance for the loan portfolio as of March 31, 2025:

Term Loans by Origination Year									
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
<b>Real estate mortgage</b>									
Acceptable	\$ 34,414	\$ 69,723	\$ 99,452	\$ 91,799	\$ 182,612	\$ 474,332	\$ 106,586	\$ 2,033	\$ 1,060,951
OAEM	—	2,156	12,062	35,981	948	3,513	29,151	—	83,811
Substandard	—	—	—	—	200	4,147	1,652	3,513	9,512
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ 34,414	\$ 71,879	\$ 111,514	\$ 127,780	\$ 183,760	\$ 481,992	\$ 137,389	\$ 5,546	\$ 1,154,274
Gross charge-offs for the three months ended March 31, 2025	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Production and intermediate-term</b>									
Acceptable	\$ 19,953	\$ 44,716	\$ 51,251	\$ 158,127	\$ 39,323	\$ 91,392	\$ 835,235	\$ —	\$ 1,239,997
OAEM	—	800	680	—	504	1,902	17,001	—	20,887
Substandard	7,233	—	—	364	—	32	26,733	—	34,362
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ 27,186	\$ 45,516	\$ 51,931	\$ 158,491	\$ 39,827	\$ 93,326	\$ 878,969	\$ —	\$ 1,295,246
Gross charge-offs for the three months ended March 31, 2025	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Agribusiness</b>									
Acceptable	\$ 146,964	\$ 760,808	\$ 443,695	\$ 589,611	\$ 325,501	\$ 481,525	\$ 1,279,984	\$ 13,286	\$ 4,041,374
OAEM	2,254	15,476	—	61,806	14,749	4,273	26,005	—	124,563
Substandard	—	10,549	1,144	7,675	19,452	32,620	57,770	331	129,541
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ 149,218	\$ 786,833	\$ 444,839	\$ 659,092	\$ 359,702	\$ 518,418	\$ 1,363,759	\$ 13,617	\$ 4,295,478
Gross charge-offs for the three months ended March 31, 2025	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Communications</b>									
Acceptable	\$ 2,085	\$ 203,708	\$ 126,888	\$ 99,497	\$ 177,107	\$ 72,489	\$ 22,834	\$ —	\$ 704,608
OAEM	—	3,295	—	—	—	10,725	1,421	—	15,441
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ 2,085	\$ 207,003	\$ 126,888	\$ 99,497	\$ 177,107	\$ 83,214	\$ 24,255	\$ —	\$ 720,049
Gross charge-offs for the three months ended March 31, 2025	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Energy and water/waste disposal</b>									
Acceptable	\$ 174,382	\$ 412,575	\$ 258,051	\$ 257,258	\$ 102,339	\$ 505,088	\$ 164,593	\$ 35,646	\$ 1,909,932
OAEM	—	—	8,670	8,415	—	5,781	—	—	22,866
Substandard	—	—	—	4,284	—	1,555	—	—	5,839
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ 174,382	\$ 412,575	\$ 266,721	\$ 269,957	\$ 102,339	\$ 512,424	\$ 164,593	\$ 35,646	\$ 1,938,637
Gross charge-offs for the three months ended March 31, 2025	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Rural home</b>									
Acceptable	\$ —	\$ —	\$ —	\$ 244	\$ —	\$ 571	\$ —	\$ —	\$ 815
OAEM	—	—	—	—	—	253	—	—	253
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ 244	\$ —	\$ 824	\$ —	\$ —	\$ 1,068
Gross charge-offs for the three months ended March 31, 2025	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Farm Credit Bank of Texas

	Term Loans by Origination Year						Revolving Loans Converted to Term Loans	Total
	2025	2024	2023	2022	2021	Prior		
International								
Acceptable	\$ —	\$ 15,039	\$ 86,684	\$ —	\$ —	\$ —	\$ 24,987	\$ 126,710
OAEM	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ 15,039</u>	<u>\$ 86,684</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 24,987</u>	<u>\$ 126,710</u>
Gross charge-offs for the three months ended March 31, 2025	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Mission-related								
Acceptable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,986	\$ —	\$ 1,986
OAEM	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,986</u>	<u>\$ —</u>	<u>\$ 1,986</u>
Gross charge-offs for the three months ended March 31, 2025	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Lease receivables								
Acceptable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,890	\$ —	\$ 3,890
OAEM	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,890</u>	<u>\$ —</u>	<u>\$ 3,890</u>
Gross charge-offs for the three months ended March 31, 2025	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Direct notes to District Associations								
Acceptable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 22,913,161	\$ 22,913,161
OAEM	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 22,913,161</u>	<u>\$ 22,913,161</u>
Gross charge-offs for the three months ended March 31, 2025	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Loans to other financing institutions								
Acceptable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 62,158	\$ 62,158
OAEM	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 62,158</u>	<u>\$ 62,158</u>
Gross charge-offs for the three months ended March 31, 2025	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total loans								
Acceptable	\$ 377,798	\$ 1,506,569	\$ 1,066,021	\$ 1,196,536	\$ 826,882	\$ 1,631,273	\$ 25,409,538	\$ 32,065,582
OAEM	2,254	21,727	21,412	106,202	16,201	26,447	73,578	267,821
Substandard	7,233	10,549	1,144	12,323	19,652	38,354	86,155	179,254
Doubtful	—	—	—	—	—	—	—	—
Total	<u>\$ 387,285</u>	<u>\$ 1,538,845</u>	<u>\$ 1,088,577</u>	<u>\$ 1,315,061</u>	<u>\$ 862,735</u>	<u>\$ 1,696,074</u>	<u>\$ 25,569,271</u>	<u>\$ 32,512,657</u>
Gross charge-offs for the three months ended March 31, 2025	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The following table presents credit quality indicators by loan type and the related amortized cost loan balance for the loan portfolio as of December 31, 2024:

	Term Loans by Origination Year						Revolving Loans	Revolving Loans Converted to Term Loans	Total
	2024	2023	2022	2021	2020	Prior			
Real estate mortgage									
Acceptable	\$ 138,766	\$ 111,546	\$ 179,108	\$ 187,833	\$ 91,419	\$ 378,131	\$ 104,306	\$ 2,060	\$ 1,193,169
OAEM	—	—	9,544	1,131	—	3,287	28,134	—	42,096
Substandard	—	—	—	202	—	4,159	2,519	5,352	12,232
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ 138,766	\$ 111,546	\$ 188,652	\$ 189,166	\$ 91,419	\$ 385,577	\$ 134,959	\$ 7,412	\$ 1,247,497
Gross charge-offs for the year ended December 31, 2024	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Production and intermediate-term									
Acceptable	\$ 40,564	\$ 53,894	\$ 121,293	\$ 32,658	\$ 15,268	\$ 79,089	\$ 943,011	\$ —	\$ 1,285,777
OAEM	800	692	—	515	1,223	708	18,913	—	22,851
Substandard	—	—	364	—	—	33	33,404	—	33,801
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ 41,364	\$ 54,586	\$ 121,657	\$ 33,173	\$ 16,491	\$ 79,830	\$ 995,328	\$ —	\$ 1,342,429
Gross charge-offs for the year ended December 31, 2024	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,521	\$ —	\$ —	\$ 4,521
Agribusiness									
Acceptable	\$ 727,432	\$ 454,273	\$ 604,536	\$ 363,279	\$ 172,815	\$ 285,135	\$ 1,159,857	\$ 13,286	\$ 3,780,613
OAEM	15,535	—	67,220	17,038	—	21,478	68,505	—	189,776
Substandard	10,524	1,253	—	19,662	15,753	7	11,365	377	58,941
Doubtful	—	—	4,579	—	—	—	1,380	—	5,959
Total	\$ 753,491	\$ 455,526	\$ 676,335	\$ 399,979	\$ 188,568	\$ 306,620	\$ 1,241,107	\$ 13,663	\$ 4,035,289
Gross charge-offs for the year ended December 31, 2024	\$ —	\$ —	\$ 5,550	\$ 6,040	\$ —	\$ 4,957	\$ 5,713	\$ —	\$ 22,260
Communications									
Acceptable	\$ 194,620	\$ 127,142	\$ 119,056	\$ 179,730	\$ 72,633	\$ —	\$ 22,775	\$ —	\$ 715,956
OAEM	3,339	—	—	—	10,724	—	1,071	—	15,134
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ 197,959	\$ 127,142	\$ 119,056	\$ 179,730	\$ 83,357	\$ —	\$ 23,846	\$ —	\$ 731,090
Gross charge-offs for the year ended December 31, 2024	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Energy and water/waste disposal									
Acceptable	\$ 326,979	\$ 255,502	\$ 255,588	\$ 104,001	\$ 47,621	\$ 467,252	\$ 166,552	\$ 36,056	\$ 1,659,551
OAEM	—	5,803	8,413	—	5,781	—	—	—	19,997
Substandard	—	—	4,344	—	—	1,663	—	—	6,007
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ 326,979	\$ 261,305	\$ 268,345	\$ 104,001	\$ 53,402	\$ 468,915	\$ 166,552	\$ 36,056	\$ 1,685,555
Gross charge-offs for the year ended December 31, 2024	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Rural home									
Acceptable	\$ —	\$ —	\$ 245	\$ —	\$ —	\$ 577	\$ —	\$ —	\$ 822
OAEM	—	—	—	—	265	—	—	—	265
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ —	\$ —	\$ 245	\$ —	\$ 265	\$ 577	\$ —	\$ —	\$ 1,087
Gross charge-offs for the year ended December 31, 2024	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

*Farm Credit Bank of Texas*

	Term Loans by Origination Year						Revolving Loans	Revolving Loans Converted to Term Loans	Total
	2024	2023	2022	2021	2020	Prior			
International									
Acceptable	\$ 15,038	\$ 86,681	\$ —	\$ —	\$ —	\$ —	\$ 31,499	\$ —	\$ 133,218
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	<u>\$ 15,038</u>	<u>\$ 86,681</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 31,499</u>	<u>\$ —</u>	<u>\$ 133,218</u>
Gross charge-offs for the year ended December 31, 2024	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Mission-related									
Acceptable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,986	\$ —	\$ —	\$ 1,986
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,986</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,986</u>
Gross charge-offs for the year ended December 31, 2024	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Lease receivables									
Acceptable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,055	\$ —	\$ —	\$ 4,055
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,055</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,055</u>
Gross charge-offs for the year ended December 31, 2024	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Direct notes to District Associations									
Acceptable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 22,582,343	\$ —	\$ 22,582,343
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 22,582,343</u>	<u>\$ —</u>	<u>\$ 22,582,343</u>
Gross charge-offs for the year ended December 31, 2024	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Loans to other financing institutions									
Acceptable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 56,397	\$ —	\$ 56,397
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 56,397</u>	<u>\$ —</u>	<u>\$ 56,397</u>
Gross charge-offs for the year ended December 31, 2024	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total loans									
Acceptable	\$ 1,443,399	\$ 1,089,038	\$ 1,279,826	\$ 867,501	\$ 399,756	\$ 1,216,225	\$ 25,066,740	\$ 51,402	\$ 31,413,887
OAEM	19,674	6,495	85,177	18,684	17,993	25,473	116,623	—	290,119
Substandard	10,524	1,253	4,708	19,864	15,753	5,862	47,288	5,729	110,981
Doubtful	—	—	4,579	—	—	—	1,380	—	5,959
Total	<u>\$ 1,473,597</u>	<u>\$ 1,096,786</u>	<u>\$ 1,374,290</u>	<u>\$ 906,049</u>	<u>\$ 433,502</u>	<u>\$ 1,247,560</u>	<u>\$ 25,232,031</u>	<u>\$ 57,131</u>	<u>\$ 31,820,946</u>
Gross charge-offs for the year ended December 31, 2024	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,550</u>	<u>\$ 6,040</u>	<u>\$ —</u>	<u>\$ 9,478</u>	<u>\$ 5,713</u>	<u>\$ —</u>	<u>\$ 26,781</u>

Accrued interest receivable on loans of \$131.3 million and \$127.0 million at March 31, 2025, and December 31, 2024, has been excluded from the amortized cost of loans and is reported separately in the Balance Sheet. During the three months ended March 31, 2025, the Bank reversed \$122 thousand in accrued interest receivable against interest income. During the three months ended March 31, 2024, the Bank did not reverse any accrued interest receivable against interest income.

The following table reflects nonperforming assets, which consists of nonaccrual loans, accruing loans 90 days or more past due and other property owned. The Bank's nonperforming assets consisted of participations purchased. No direct notes to District Associations were nonperforming.

	March 31, 2025	December 31, 2024
Nonaccrual loans:		
Real estate mortgage	\$ 4,145	\$ 4,145
Production and intermediate-term	33,598	30,537
Agribusiness	20,810	5,958
Energy and water/waste disposal	1,555	1,663
Total nonaccrual loans	60,108	42,303
Total accruing loans 90 days or more past due	—	—
Other property owned	3,463	4,854
Total nonperforming assets	\$ 63,571	\$ 47,157
Nonaccrual loans as a percentage of total loans	0.18 %	0.13 %
Nonperforming assets as a percentage of total loans and other property owned	0.20	0.15
Nonperforming assets as a percentage of capital	3.16	2.65

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

	Balance at March 31, 2025			Interest Income Recognized for the Three Months Ended March 31, 2025
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	\$ —	\$ 4,145	\$ 4,145	\$ —
Production and intermediate-term	33,598	—	33,598	—
Agribusiness	20,810	—	20,810	—
Energy and water/waste disposal	1,555	—	1,555	—
Total	\$ 55,963	\$ 4,145	\$ 60,108	\$ —

	Balance at December 31, 2024			Interest Income Recognized for the Three Months Ended March 31, 2024
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	
Nonaccrual loans:				
Real estate mortgage	\$ —	\$ 4,145	\$ 4,145	\$ —
Production and intermediate-term	30,537	—	30,537	—
Agribusiness	5,958	—	5,958	13
Energy and water/waste disposal	1,663	—	1,663	—
Total	\$ 38,158	\$ 4,145	\$ 42,303	\$ 13

At March 31, 2025, the Bank had specific reserves included in the allowance for credit losses of \$20.0 million, associated with the nonaccrual loan balance of \$56.0 million. At December 31, 2024, the Bank had specific reserves included in the allowance for credit losses of \$9.5 million, associated with the nonaccrual loan balance of \$38.2 million.

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

March 31, 2025	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment Greater Than 90 Days Past Due and Accruing
Real estate mortgage	\$ 5,165	\$ 481	\$ 5,646	\$ 1,148,628	\$ 1,154,274	\$ —
Production and intermediate-term	—	2,283	2,283	1,292,963	1,295,246	—
Agribusiness	—	—	—	4,295,478	4,295,478	—
Energy & water/waste disposal	—	—	—	1,938,637	1,938,637	—
Rural home	—	—	—	1,068	1,068	—
Lease receivables	—	—	—	3,890	3,890	—
Communications	—	—	—	720,049	720,049	—
Direct notes to District Associations	—	—	—	22,913,161	22,913,161	—
Loans to OFIs	—	—	—	62,158	62,158	—
International	—	—	—	126,710	126,710	—
Mission-related	—	—	—	1,986	1,986	—
Total	\$ 5,165	\$ 2,764	\$ 7,929	\$ 32,504,728	\$ 32,512,657	\$ —

December 31, 2024	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment Greater Than 90 Days Past Due and Accruing
Real estate mortgage	\$ 734	\$ 481	\$ 1,215	\$ 1,246,282	\$ 1,247,497	\$ —
Production and intermediate-term	4,707	—	4,707	1,337,722	1,342,429	—
Agribusiness	5,958	—	5,958	4,029,331	4,035,289	—
Energy & water/waste disposal	—	—	—	1,685,555	1,685,555	—
Rural home	—	—	—	1,087	1,087	—
Lease receivables	—	—	—	4,055	4,055	—
Communications	—	—	—	731,090	731,090	—
Direct notes to District Associations	—	—	—	22,582,343	22,582,343	—
Loans to OFIs	—	—	—	56,397	56,397	—
International	—	—	—	133,218	133,218	—
Mission-related	—	—	—	1,986	1,986	—
Total	\$ 11,399	\$ 481	\$ 11,880	\$ 31,809,066	\$ 31,820,946	\$ —

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. Collateral dependent loans are primarily production and intermediate-term, agribusiness, energy and water/waste disposal and real estate mortgage loans.



## Loan Modifications to Borrowers Experiencing Financial Difficulties

Upon the adoption of the guidance, Financial Instruments – Credit Losses, Troubled Debt Restructurings and Vintage Disclosure, creditors are required to disclose specific modifications with borrowers that are experiencing financial difficulty.

There were no loan modifications granted to borrowers experiencing financial difficulty during the three months ended March 31, 2025. For loan modifications granted to borrowers experiencing financial difficulty during the three months ended March 31, 2024, the following table shows the amortized cost of outstanding balances as reflected in our Balance Sheet as of March 31, 2024, disaggregated by loan type and type of modification granted:

Three Months Ended March 31, 2024						Percentage of Total by Loan Type
	Term Extension	Payment Deferral	Combination - Term Extension and Payment Deferral	Total		
Production and intermediate-term	\$ 2,014	\$ —	\$ —	\$ 2,014		0.18 %
Agribusiness	—	29,543	11,629	41,172		1.02
Energy & water/waste disposal	—	2,220	—	2,220		0.14
Total	\$ 2,014	\$ 31,763	\$ 11,629	\$ 45,406		0.15 %

Accrued interest receivable related to loans modified during the three months ended March 31, 2024, totaled \$563 thousand. Additional commitments to lend to borrowers experiencing financial difficulty whose loans were modified during the three months ended March 31, 2024, totaled \$15.5 million.

The following tables describe the financial effects of the modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2024:

Financial Effect - Term Extension	
Three Months Ended March 31, 2024	
Production and intermediate-term	Added a weighted average of 0.50 month to the life of the loan
Financial Effect - Payment Deferral	
Three Months Ended March 31, 2024	
Agribusiness	Added a weighted average of 8.67 months to the life of the loans
Energy & water/waste disposal	Added a weighted average of 1.00 month to the life of the loan
Financial Effect - Combination - Term Extension and Payment Deferral	
Three Months Ended March 31, 2024	
Agribusiness	Added a weighted average of 3.03 months in payment extensions and added a weighted average of 3.03 months to the life of the loan

During the three months ended March 31, 2025, and March 31, 2024, there were no defaults on loans to borrowers experiencing financial difficulty that had received a modification in the twelve months before default. The Bank has \$31.7 million in agribusiness loans that were modified in the twelve months prior to March 31, 2025, all of which were current in all required payments or paid in full. The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to March 31, 2024.

	Payment Status of Loans Modified in the Past 12 Months			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Production and intermediate-term	\$ 2,014	\$ —	\$ —	\$ 2,014
Agribusiness	41,172	—	12,272	53,444
Energy & water/waste disposal	5,143	—	—	5,143
Total	\$ 48,329	\$ —	\$ 12,272	\$ 60,601

### Allowance for Credit Losses on Loans and Allowance for Credit Losses on Unfunded Commitments

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

A summary of changes in the allowance for credit losses by portfolio segment for the three months ended March 31, 2025 and March 31, 2024 are as follows:

	Real Estate Mortgage	Production and Intermediate-term	Agri-business	Comm-unications	Energy and Water/Waste Disposal	Rural Home	Inter-national	Mission-Related	Lease Receivables	Direct Notes to District Associations	Loans to OFIs	Total
Allowance for credit losses on loans:												
Balance at December 31, 2024	\$ 3,835	\$ 11,022	\$ 14,588	\$ 1,633	\$ 3,272	\$ 2	\$ 239	\$ 6	\$ —	\$ —	\$ —	\$ 34,597
Charge-offs	—	—	—	—	—	—	—	—	—	—	—	—
Recoveries	—	—	259	—	—	—	—	—	—	—	—	259
Provision for credit losses on loans (credit loss reversal)	(163)	8,850	3,509	114	1,025	—	(12)	(1)	—	—	—	13,322
Balance at March 31, 2025	\$ 3,672	\$ 19,872	\$ 18,356	\$ 1,747	\$ 4,297	\$ 2	\$ 227	\$ 5	\$ —	\$ —	\$ —	\$ 48,178
Allowance for credit losses on unfunded commitments:												
Balance at December 31, 2024	\$ 777	\$ 508	\$ 2,983	\$ 157	\$ 818	\$ —	\$ 27	\$ —	\$ —	\$ —	\$ —	\$ 5,270
Provision for credit losses on loans (credit loss reversal)	(139)	20	281	70	1,119	—	(3)	—	—	—	—	1,348
Balance at March 31, 2025	\$ 638	\$ 528	\$ 3,264	\$ 227	\$ 1,937	\$ —	\$ 24	\$ —	\$ —	\$ —	\$ —	\$ 6,618

	Real Estate Mortgage	Production and Intermediate-term	Agri-business	Comm-unications	Energy and Water/Waste Disposal	Rural Home	Inter-national	Mission-Related	Lease Receivables	Direct Notes to District Associations	Loans to OFIs	Total
Allowance for credit losses on loans:												
Balance at December 31, 2023	\$ 2,000	\$ 10,896	\$ 19,403	\$ 1,363	\$ 4,140	\$ 3	\$ 62	\$ 6	\$ —	\$ —	\$ —	\$ 37,873
Charge-offs	—	—	—	—	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—	—	—	—	—
Provision for credit losses on loans	330	1,001	1,569	296	603	—	46	1	2	—	—	3,848
Balance at March 31, 2024	\$ 2,330	\$ 11,897	\$ 20,972	\$ 1,659	\$ 4,743	\$ 3	\$ 108	\$ 7	\$ 2	\$ —	\$ —	\$ 41,721
Allowance for credit losses on unfunded commitments:												
Balance at December 31, 2023	\$ 193	\$ 257	\$ 3,743	\$ 128	\$ 690	\$ —	\$ —	\$ 34	\$ —	\$ —	\$ —	\$ 5,045
Provision for credit losses on loans (credit loss reversal)	(26)	86	93	(10)	9	—	31	(34)	—	—	—	149
Balance at March 31, 2024	\$ 167	\$ 343	\$ 3,836	\$ 118	\$ 699	\$ —	\$ 31	\$ —	\$ —	\$ —	\$ —	\$ 5,194

## Discussion of Changes in Allowance for Credit Losses

The allowance for credit losses on loans as of March 31, 2025, was \$48.2 million, reflecting an increase of \$13.6 million from the allowance of credit losses on loans as of December 31, 2024, which was \$34.6 million. The increase was driven by higher specific reserves for certain loans in the production and intermediate-term and agribusiness loan sectors.

The Bank's macroeconomic forecast 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 March 31, 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 forecasts incorporate macroeconomic variables, including the U.S. unemployment rate, Dow Jones Total Stock Market Index and U.S. corporate bond spreads.

## NOTE 4 — LEASES

The Bank maintains a lease for its headquarters facility in Austin, Texas, which currently expires in December 2034. This lease is for approximately 111,500 square feet of office space ranging from \$18 to \$38 per square foot during the term of the lease. Lease expense for the headquarters facility includes certain operating expenses passed through from the landlord.

The Bank entered into a desk sharing agreement in Washington, D.C., as of January 1, 2025, with the National Council of Farmer Cooperatives for legislative affairs purposes. The lease will expire on December 31, 2025.

The Bank currently holds leases for postage machines, copiers and ice machines. The postage machines lease has an expiration date of April 2027. A lease for copiers has an expiration date of August 2026. The lease for the ice machines is currently a month-to-month lease.

Lease expenses, which are included as a component of occupancy and equipment expense in the statements of comprehensive income, totaled \$1.3 million for the three months ended March 31, 2025, and \$1.3 million for the three months ended March 31, 2024. Other information related to leases includes:

	Three Months Ended March 31,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 900	\$ 738

At March 31, 2025, the weighted-average remaining lease term for the building, copier and postage machine leases was 9.81 years, and the weighted-average discount rate was 2.42 percent. At December 31, 2024, the weighted-average remaining lease term for the building, copier and postage machine leases was 10.06 years, and the weighted-average discount rate was 2.42 percent. The discount rates were determined using the Bank's incremental borrowing rate for bonds with terms similar to the lease terms. The following are the undiscounted cash flows for operating leases at March 31, 2025:

	Maturities of Lease Liabilities
Remainder of 2025	\$ 3,554
2026	3,603
2027	3,625
2028	3,694
2029	3,768
Thereafter	20,001
Total undiscounted cash flows	38,245
Less interest expense	831
Lease liability	<u>\$ 37,414</u>

The lease expense for leases with terms of 12 months or less was \$2 thousand and \$12 thousand for the three months ended March 31, 2025 and March 31, 2024, respectively.

## NOTE 5 — COMMITMENTS AND CONTINGENCIES

The Bank has various outstanding commitments and contingent liabilities as discussed elsewhere in these notes.

The Bank is primarily liable for its portion of Systemwide debt obligations. Additionally, the Bank is jointly and severally liable for the consolidated Systemwide bonds and notes of the other System banks. The total Bank and consolidated Systemwide debt obligations of the System at March 31, 2025, were approximately \$451.21 billion.

In the normal course of business, the Bank incurs a certain amount of claims, litigation, and other legal and administrative proceedings, all of which are considered incidental to the normal conduct of business. The Bank believes it has meritorious defenses to the claims currently asserted against it, and, with respect to such legal proceedings, intends to defend itself vigorously, litigating or settling cases according to management's judgment as to what is in the best interest of the Bank and its shareholders.

On at least a quarterly basis, the Bank assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. For those matters where it is probable that the Bank would incur a loss and the amount of the loss could be reasonably estimated, the Bank would record a liability in its financial statements. These liabilities would be increased or decreased to reflect any relevant developments on a quarterly basis. For other matters, where a loss is not probable or the amount of the loss is not estimable, the Bank does not record a liability.

To the extent any other actions are pending against the Bank, upon the basis of current information, management and legal counsel are of the opinion that any resulting losses are not probable, and that the ultimate liability, if any, resulting from a lawsuit and other pending actions will not be material in relation to the financial position, results of operations or cash flows of the Bank.

**NOTE 6 — FAIR VALUE MEASUREMENTS**

Authoritative accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, "Summary of Significant Accounting Policies" in the 2024 Annual Report and "Valuation Techniques" at the end of this note for additional information.

Assets and liabilities measured at fair value on a recurring basis at March 31, 2025, for each of the fair value hierarchy levels are summarized below:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Federal funds sold and other overnight funds	\$ 384,657	\$ —	\$ 384,657	\$ —
Available-for-sale investments				
Certificates of deposit	325,098	—	325,098	—
Corporate debt	29,754	—	29,754	—
U.S. Treasury securities	823,926	—	823,926	—
Agency-guaranteed debt	6,025	—	6,025	—
Mortgage-backed securities	5,501,900	—	5,501,900	—
Asset-backed securities	152,960	—	152,960	—
Agricultural mortgage-backed securities	5,969	—	—	5,969
Loans held for sale	7,776	—	—	7,776
Derivative assets	(2,752)	—	(2,752)	—
Assets held in nonqualified benefit trusts	2,247	2,247	—	—
<b>Total</b>	<b>\$ 7,237,560</b>	<b>\$ 2,247</b>	<b>\$ 7,221,568</b>	<b>\$ 13,745</b>
<b>Liabilities:</b>				
Derivative liabilities	\$ (31,585)	\$ —	\$ (31,585)	\$ —
Letters of credit	2,841	—	—	2,841
<b>Total</b>	<b>\$ (28,744)</b>	<b>\$ —</b>	<b>\$ (31,585)</b>	<b>\$ 2,841</b>

At March 31, 2025, the Bank had a derivative asset position of \$42.5 million and received \$45.3 million in cash collateral against this position during the quarter which resulted in a net contra-liability of \$2.8 million. At March 31, 2025, the Bank had no derivative liability position and posted \$31.6 million of initial margin in cash collateral which resulted in a net contra-liability of \$31.6 million.

The table below represents a reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the period from January 1, 2025, to March 31, 2025:

	Assets		Liabilities		Total
	Agricultural Mortgage-Backed Securities	Loans Held for Sale	Letters of Credit		
Balance at January 1, 2025	\$ 6,553	\$ 7,981	\$ 3,563		\$ 10,971
Net gains included in other comprehensive income	61	—	(722)		783
Purchases, issuances and settlements, sales	(645)	(205)	—		(850)
Balance at March 31, 2025	<u>\$ 5,969</u>	<u>\$ 7,776</u>	<u>\$ 2,841</u>		<u>\$ 10,904</u>
The amount of gains/losses for the period included in other comprehensive income attributable to the change in unrealized gains or losses relating to assets or liabilities still held at March 31, 2025	\$ 61	\$ —	\$ (722)		\$ 783

There were transfers into and out of Level 3 during the three months ended March 31, 2025. Loans held for sale were included in Level 3 due to their valuation being based on Level 3 criteria (broker quotes). Agricultural mortgage-backed securities (AMBS) were included in Level 3 due to limited activity or less transparency around inputs to their valuation. The liability for letters of credit were included in Level 3 because the valuation, based on fees charged for similar agreements, may not closely correlate to a fair value for instruments not regularly traded in the secondary market.

Assets and liabilities measured at fair value on a nonrecurring basis at March 31, 2025, for each of the fair value hierarchy levels are summarized below:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans	\$ 28,345	\$ —	\$ —	\$ 28,345
Other property owned	3,463			3,463
Total	<u>\$ 31,808</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 31,808</u>

Assets and liabilities measured at fair value on a recurring basis at December 31, 2024, for each of the fair value hierarchy levels are summarized below:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Federal funds sold and other overnight funds	\$ 455,323	\$ —	\$ 455,323	\$ —
Available-for-sale investments				
Certificates of deposit	250,084	—	250,084	—
Corporate debt	59,528	—	59,528	—
U.S. Treasury securities	824,223	—	824,223	—
Agency-guaranteed debt	9,608	—	9,608	—
Mortgage-backed securities	5,383,451	—	5,383,451	—
Asset-backed securities	109,037	—	109,037	—
Agricultural mortgage-backed securities	6,553	—	—	6,553
Loans held for sale	7,981	—	—	7,981
Derivative assets	(1,566)	—	(1,566)	—
Assets held in nonqualified benefit trusts	2,237	2,237	—	—
<b>Total</b>	<b>\$ 7,106,459</b>	<b>\$ 2,237</b>	<b>\$ 7,089,688</b>	<b>\$ 14,534</b>
<b>Liabilities:</b>				
Derivative liabilities	\$ (32,810)	\$ —	\$ (32,810)	\$ —
Letters of credit	3,563	—	—	3,563
<b>Total</b>	<b>\$ (29,247)</b>	<b>\$ —</b>	<b>\$ (32,810)</b>	<b>\$ 3,563</b>

At December 31, 2024, the Bank had a derivative asset position of \$65.5 million and received \$67.0 million in cash collateral against this position which resulted in a net contra-liability of \$1.6 million. At December 31, 2024, the Bank had no derivative liability position and posted \$32.8 million of initial margin in cash collateral which resulted in a net contra-liability of \$32.8 million.

The table below represents a reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the period from January 1, 2024, to March 31, 2024.

	Assets		Liabilities	
	Certificates of Deposit	Agricultural Mortgage- Backed Securities	Letters of Credit	Total
Balance at January 1, 2024	\$ 100,007	\$ 8,499	\$ 1,830	\$ 106,676
Net gains included in other comprehensive income	—	12	—	12
Purchases, issuances, (sales) and (settlements)	—	(580)	336	(916)
Transfers out of Level 3	(100,007)	—	—	(100,007)
Balance at March 31, 2024	\$ —	\$ 7,931	\$ 2,166	\$ 5,765
The amount of gains/losses for the period included in other comprehensive income attributable to the change in unrealized gains or losses relating to assets or liabilities still held at March 31, 2024				
	\$ —	\$ 12	\$ —	\$ 12

There were transfers out of Level 3 during the three months ended March 31, 2024. Certificates of deposits which were classified at Level 3 at December 31, 2023, were transferred to Level 2 during the three months ended March 31, 2024, due to updates in pricing. AMBS were included in Level 3 due to limited activity or less transparency around inputs to their valuation. The liability for letters of credit were included in Level 3 because the valuation, which is based on fees charged for similar agreements, may not closely correlate to a fair value for instruments not regularly traded in the secondary market.

Assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2024, for each of the fair value hierarchy levels are summarized below:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Loans	\$ 30,029	\$ —	\$ —	\$ 30,029
Other property owned	4,854	—	—	4,854
Total	<u>\$ 34,883</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 34,883</u>

The fair value of financial instruments measured at carrying amounts on the Balance Sheet for each of the fair value hierarchy values are summarized as follows:

March 31, 2025					
	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:					
Cash	\$ 98,265	\$ 98,265	\$ —	\$ —	\$ 98,265
Net loans	32,464,479	—	—	31,287,897	31,287,897
Total	<u>\$ 32,562,744</u>	<u>\$ 98,265</u>	<u>\$ —</u>	<u>\$ 31,287,897</u>	<u>\$ 31,386,162</u>
Liabilities:					
Systemwide debt securities	\$ 37,920,013	\$ —	\$ —	\$ 37,073,333	\$ 37,073,333
Total	<u>\$ 37,920,013</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 37,073,333</u>	<u>\$ 37,073,333</u>
December 31, 2024					
	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:					
Cash	\$ 39,640	\$ 39,640	\$ —	\$ —	\$ 39,640
Net loans	31,786,349	—	—	30,302,430	30,302,430
Total	<u>\$ 31,825,989</u>	<u>\$ 39,640</u>	<u>\$ —</u>	<u>\$ 30,302,430</u>	<u>\$ 30,342,070</u>
Liabilities:					
Systemwide debt securities	\$ 37,158,770	\$ —	\$ —	\$ 36,015,036	\$ 36,015,036
Total	<u>\$ 37,158,770</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 36,015,036</u>	<u>\$ 36,015,036</u>

## Valuation Techniques

As more fully discussed in Note 2, “Summary of Significant Accounting Policies” in the 2024 Annual Report, authoritative accounting 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. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction.



## 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 AMBS are prepayment rates, probability of default and loss severity in the event of default inclusive of some uncertainty at the reporting date. For loans held for sale, the significant unobservable inputs used in the fair value measurement are broker quotes.

Quoted market prices may not be 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. 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. These estimates involve uncertainties and matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

## Information About Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value at		Valuation Technique(s)	Unobservable Input	Range of Inputs / Weighted Average of Inputs	
	March 31, 2025	December 31, 2024			March 31, 2025	December 31, 2024
Agricultural mortgage-backed securities	\$ 5,969	\$ 6,553	Discounted cash flow	Prepayment rates	4.88% - 31.17% / 8.04%	3.49% - 31.17% / 8.07%
Loans held for sale	7,776	7,981	Broker quotes	—	—	—

In regard to nonperforming loans and other property owned (OPO), it is not practicable to provide specific information on inputs as each collateral property is unique. The Bank utilizes appraisals to value these loans and OPO and considers unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

## Information about Recurring and Nonrecurring Level 2 Fair Value Measurements

	Valuation Technique(s)	Input
Federal funds sold	Carrying value	Par/principal
Available-for-sale investment securities	Quoted prices	Price for similar security
	Discounted cash flow	Constant prepayment rate
		Appropriate interest rate yield curve
Interest rate caps	Discounted cash flow	Appropriate interest rate yield curve
		Annualized volatility
Interest rate swaps	Discounted cash flow	Benchmark yield curve
		Counterparty credit risk
		Volatility

## Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying value	Actual balance
Loans	Discounted cash flow	Prepayment forecasts Appropriate interest rate yield curve Probability of default Loss given default
Systemwide debt securities	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk

## NOTE 7 — ASSET/LIABILITY OFFSETTING

Most derivative transactions with swap dealers are cleared through a Futures Commission Merchant (FCM). Cleared derivative contracts are required to be 100 percent collateralized and the Derivatives Clearing Organization (DCO) takes on the obligation of both sides of the transaction. The Bank's interest rate cap derivatives are under bilateral collateral and netting agreements that require the net settlement of covered contracts.

Notwithstanding collateral and netting provisions, our derivative assets and liabilities are not offset on the accompanying Balance Sheet. The amount of collateral received or pledged is calculated on a net basis by counterparty.

The following table summarizes overnight investments, derivative assets and liabilities and amounts of collateral exchanged pursuant to our agreements:

	Gross Amounts of Assets/Liabilities Presented on the Balance Sheet	Amounts Not Offset on the Balance Sheet		Net Amount
		Cash Collateral Received/(Pledged)	Investment Securities Received/Pledged as Collateral	
March 31, 2025				
Assets:				
Interest rate swaps and other derivatives	\$ 42,509	\$ 45,261	\$ —	\$ (2,752)
Federal funds sold and overnight investments	384,657	—	—	384,657
Liabilities:				
Interest rate swaps and other derivatives	—	(31,585)	—	(31,585)
December 31, 2024				
Assets:				
Interest rate swaps and other derivatives	\$ 65,454	\$ 67,020	\$ —	\$ (1,566)
Federal funds sold and overnight investments	455,323	—	(110,000)	345,323
Liabilities:				
Interest rate swaps and other derivatives	—	(32,810)	—	(32,810)

## NOTE 8 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Bank maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The Bank's goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain Balance Sheet liabilities so that movements in

interest rates do not adversely affect the net interest margin. The Bank considers the strategic use of derivatives to be a prudent method of managing interest rate sensitivity as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

The Bank may enter into derivative transactions to lower funding costs, diversify sources of funding, alter interest rate exposures arising from mismatches between assets and liabilities, or better manage liquidity. Interest rate swaps allow the Bank to raise borrowings in the government-sponsored enterprises market and modify the repricing characteristics of that debt to better match those of the earning assets. Under interest rate swap arrangements, the Bank agrees with other parties to exchange, at specified intervals, payment streams calculated on a specified notional amount, with at least one stream based on a specified floating-rate index. The Bank may purchase interest rate options, such as caps and floors, in order to reduce the impact of rising interest rates on its floating-rate debt.

At March 31, 2025, the Bank held interest rate caps with a notional amount of \$95.0 million and a net fair value asset of \$41 thousand, and pay-fixed interest rate swaps with a notional amount of \$1.40 billion and a net fair value asset of \$42.5 million. At March 31, 2025, there was \$2.8 million of excess variation margin on the pay-fixed interest rate swaps. At December 31, 2024, the Bank held interest rate caps with a notional amount of \$95.0 million and a net fair value asset of \$101 thousand, and pay-fixed interest rate swaps with a notional amount of \$1.40 billion and a net fair value asset of \$65.4 million. At December 31, 2024, there was \$1.7 million of excess variation margin on the pay-fixed interest rate swaps.

By using derivative instruments, the Bank exposes itself to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, the Bank's credit risk will equal the fair value gain of the derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes the Bank, thus creating a repayment risk for the Bank. When the fair value of the derivative contract is negative, the Bank owes the counterparty and, therefore, assumes no repayment risk.

To minimize the risk of credit losses from derivatives, all interest rate swap derivative contracts have been moved to clearing and are cleared through an FCM. Cleared derivative contracts are required to be 100 percent collateralized and the DCO takes on the obligation of both sides of the transaction. Interest rate cap derivatives are supported by bilateral collateral agreements with counterparties requiring the posting of collateral in the event certain dollar thresholds of exposure of one party to the other are reached; thresholds may vary depending on the counterparty's credit rating from a major rating agency. The Bank also monitors the credit standing of, and levels of exposure to, individual counterparties. Interest rate caps are under master agreements that contain netting provisions. These provisions allow the Bank to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. At March 31, 2025, the Bank had posted \$31.6 million of cash as collateral as initial margin as compared to \$32.8 million at December 31, 2024. At March 31, 2025, the Bank had a net derivative asset value of \$42.5 million and received \$45.3 million in cash collateral against that position from a counterparty. At December 31, 2024, the Bank had a derivative asset value of \$65.5 million and received \$67.0 million in cash collateral against that position from a counterparty.

## Derivative – Counterparty Exposure

The following table represents the credit ratings of counterparties to whom the Bank had credit exposure at March 31, 2025:

	Remaining Years to Maturity			Exposure	Collateral (Posted) Received**	Exposure Net of Collateral
	Less Than One Year to Five Years	More Than Five Years	Total Gains*			
Moody's Credit Rating:						
Aa1	\$ 41	\$ —	\$ 41	\$ 41	\$ —	\$ 41
Aa3	23,452	21,494	44,946	44,946	13,676	31,270
Total	\$ 23,493	\$ 21,494	\$ 44,987	\$ 44,987	\$ 13,676	\$ 31,311

\*Represents gain or loss positions on derivative instruments with individual counterparties. Net gains or losses represent the exposure to credit losses estimated by calculating the cost, on a present value basis, to replace all outstanding derivative contracts within a maturity category. Within each maturity category, contracts in a loss position are netted against contracts in a gain position with the same counterparty.

\*\*Represents the netting of cash collateral posted of and received by counterparties under enforceable netting agreements. At March 31, 2025, the Bank had posted \$31.6 million of cash as collateral and received cash collateral of \$45.3 million, from a counterparty.

The Bank's derivative activities are monitored by its Asset-Liability Management Committee (ALCO) as part of the ALCO's Bank asset/liability and treasury functions. The ALCO is responsible for approving hedging strategies that are developed through its analysis of data derived from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into the Bank's overall interest rate risk management strategies.

## Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item (principally, debt securities) attributable to the hedge risk are recognized in current earnings. The Bank includes the gain or loss on the hedged items in the same line item (interest expense) as the offsetting loss or gain on the related interest rate swaps. Recorded in the Bank's Balance Sheet are cumulative basis adjustments for fair value hedges for Systemwide debt securities (bonds and notes). At March 31, 2025, and December 31, 2024, the Bank did not have any fair value hedged items.

## Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The Bank clears all cash flow swaps hedges through an FCM, with a clearinghouse or central counterparty (CCP). At March 31, 2025, the Bank had a notional amount of cleared cash flow hedges of \$1.40 billion with associated initial margin of \$31.6 million. At March 31, 2025, the Bank received cash collateral from the counterparty of \$45.3 million. At December 31, 2024, the notional amount of cleared cash flow hedges was \$1.40 billion with associated posted initial margin of \$32.8 million.

The Bank's derivative instruments at March 31, 2025, and December 31, 2024, which are designated and qualify as cash flow hedges, met the standards for accounting treatment. Thus, the effective portion of the gain or loss on the derivative was reported as a component of other comprehensive income. In the next 12 months, we expect to reclassify to earnings losses of \$149 thousand recorded in accumulated other comprehensive loss (AOCL) as of March 31, 2025. These

amounts will offset the cash flows associated with the hedged forecasted transactions. For cash flow hedges with any ineffectiveness, the ineffectiveness is recognized as interest expense into current period earnings. During the three months ended March 31, 2025, there was no ineffectiveness for cash flow hedges, and during the three months ended March 31, 2024, ineffectiveness for cash flow hedges was \$3 thousand.

The following table represents the fair value of cash flow derivative instruments, inclusive of posted or received variation margin for cleared activity as of March 31, 2025 and December 31, 2024:

	Balance Sheet Location	Fair Value at		Balance Sheet Location	Fair Value at	
		March 31, 2025	December 31, 2024		March 31, 2025	December 31, 2024
Interest rate caps	Other assets	\$ 41	\$ 101	Other liabilities	\$ —	\$ —
Pay-fixed swaps	Other assets	(2,793)	(1,667)	Other liabilities	—	—
		<u>\$ (2,752)</u>	<u>\$ (1,566)</u>		<u>\$ —</u>	<u>\$ —</u>

The following table sets forth the effect of derivative (loss) gain recognized in AOCL for the three months ended March 31, 2025 and March 31, 2024:

	Gain (Loss) Recognized in AOCL on Derivatives at March 31,			Loss Reclassified from AOCL into Income at March 31,	
	2025	2024		2025	2024
Interest rate caps	\$ (60)	\$ 2	Interest expense	\$ (48)	\$ (58)
Pay-fixed swaps	(22,885)	26,282	Other income, net	—	—
	<u>\$ (22,945)</u>	<u>\$ 26,284</u>		<u>\$ (48)</u>	<u>\$ (58)</u>

## NOTE 9 – CAPITAL

In January 2025, the Bank's Board of Directors approved a change to the Bank's capitalization policy. Through 2024, District Associations and qualifying OFIs were required to maintain an investment in the Bank equal to 2.00 percent of their average borrowings from the Bank as determined on an annual basis. Beginning in 2025, this investment requirement increased to 2.50 percent of their average borrowings from the Bank and will be determined on a semi-annual basis to support growth across the Texas District. This resulted in an increase in the Bank's shareholder equity in the first quarter of 2025.

The FCA sets minimum regulatory capital requirements, including capital conservation buffers, for banks and associations. These requirements are split into minimum requirements for risk-adjusted ratios and non-risk-adjusted ratios. The risk-adjusted ratios include common equity tier 1, tier 1 capital, total capital and permanent capital ratios. The non-risk-adjusted ratios include tier 1 leverage and unallocated retained earnings (URE) and URE equivalents (UREE) leverage ratios that are applicable to both the banks and associations. As of March 31, 2025, the Bank exceeded all regulatory capital requirements, including the capital conservation buffers.

The following table reflects the Bank's capital ratios:

	Regulatory Requirements Including Capital Conservation Buffers	As of March 31, 2025	As of December 31, 2024
Risk-adjusted:			
Common equity tier 1 ratio	7.00 %	8.29 %	8.58 %
Tier 1 capital ratio	8.50	12.64	13.04
Total capital ratio	10.50	12.87	13.30
Permanent capital ratio	7.00	12.66	13.07
Non-risk-adjusted:			
Tier 1 leverage ratio	5.00 %	5.52 %	5.64 %
UREE leverage ratio	1.50	1.88	2.18

Risk-adjusted assets have been defined by FCA regulations as the Balance Sheet assets and off-Balance Sheet commitments adjusted by various percentages ranging from 0 to 1,250, depending on the level of risk inherent in the various types of assets.

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

The components of the Bank's risk-adjusted capital, based on 90-day average balances, were as follows at March 31, 2025:

	Common Equity Tier 1 Ratio	Tier 1 Capital Ratio	Total Capital Ratio	Permanent Capital Ratio
Numerator:				
Unallocated retained earnings	\$ 897,783	\$ 897,783	\$ 897,783	\$ 897,783
Adjustments for patronage or dividend accrued receivables and payables	(17,456)	(17,456)	(17,456)	(17,456)
Common Cooperative Equities:				
Purchased other required stock ≥ 7 years	539,820	539,820	539,820	539,820
Allocated stock ≥ 7 years	36,042	36,042	36,042	36,042
Allocated equities:				
Allocated equities held ≥ 7 years	108,979	108,979	108,979	108,979
Noncumulative perpetual preferred stock	—	750,000	750,000	750,000
Allowance for credit losses on loans and allowance for credit losses on unfunded commitments subject to certain limitations	—	—	40,050	—
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(136,449)	(136,449)	(136,449)	(136,449)
Other regulatory required deductions	(115)	(115)	(115)	(115)
Total	<u>\$ 1,428,604</u>	<u>\$ 2,178,604</u>	<u>\$ 2,218,654</u>	<u>\$ 2,178,604</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$ 17,242,070	\$ 17,242,070	\$ 17,242,070	\$ 17,242,070
Regulatory Adjustments and Deductions:				
Allowance for credit losses on loans	—	—	—	(34,765)
Total	<u>\$ 17,242,070</u>	<u>\$ 17,242,070</u>	<u>\$ 17,242,070</u>	<u>\$ 17,207,305</u>

The components of the Bank's non-risk-adjusted capital, based on 90-day average balances, were as follows at March 31, 2025:

	Tier 1 Leverage Ratio	UREE Leverage Ratio
Numerator:		
Unallocated retained earnings	\$ 897,783	\$ 897,783
Adjustments for patronage or dividend accrued receivables and payables	(17,456)	(17,456)
Common Cooperative Equities:		
Purchased other required stock ≥ 7 years	539,820	—
Allocated stock ≥ 7 years	36,042	—
Allocated equities:		
Allocated equities held ≥ 7 years	108,979	—
Noncumulative perpetual preferred stock	750,000	—
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(136,449)	(136,449)
Other regulatory required deductions	(115)	(115)
Total	<u>\$ 2,178,604</u>	<u>\$ 743,763</u>
Denominator:		
Total assets	\$ 39,645,979	\$ 39,645,979
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(164,449)	(164,449)
Total	<u>\$ 39,481,530</u>	<u>\$ 39,481,530</u>

The components of the Bank's risk-adjusted capital, based on 90-day average balances, were as follows at December 31, 2024:

	Common Equity Tier 1 Ratio	Tier 1 Capital Ratio	Total Capital Ratio	Permanent Capital Ratio
Numerator:				
Unallocated retained earnings	\$ 994,512	\$ 994,512	\$ 994,512	\$ 994,512
Adjustments for patronage or dividend accrued receivables and payables	(9,233)	(9,233)	(9,233)	(9,233)
Common Cooperative Equities:				
Purchased other required stock ≥ 7 years	457,904	457,904	457,904	457,904
Allocated stock ≥ 7 years	36,042	36,042	36,042	36,042
Allocated equities:				
Allocated equities held ≥ 7 years	101,904	101,904	101,904	101,904
Noncumulative perpetual preferred stock	—	750,000	750,000	750,000
Allowance for credit losses on loans and allowance for credit losses on unfunded commitments subject to certain limitations	—	—	43,688	—
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(135,769)	(135,769)	(135,769)	(135,769)
Other regulatory required deductions	(174)	(174)	(174)	(174)
Total	<u>\$ 1,445,186</u>	<u>\$ 2,195,186</u>	<u>\$ 2,238,874</u>	<u>\$ 2,195,186</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$ 16,838,969	\$ 16,838,969	\$ 16,838,969	\$ 16,838,969
Regulatory Adjustments and Deductions:				
Allowance for credit losses on loans	—	—	—	(38,997)
Total	<u>\$ 16,838,969</u>	<u>\$ 16,838,969</u>	<u>\$ 16,838,969</u>	<u>\$ 16,799,972</u>

The components of the Bank's non-risk-adjusted capital, based on 90-day average balances, were as follows at December 31, 2024:

	Tier 1 Leverage Ratio	UREE Leverage Ratio
Numerator:		
Unallocated retained earnings	\$ 994,512	\$ 994,512
Adjustments for patronage or dividend accrued receivables and payables	(9,233)	(9,233)
Common Cooperative Equities:		
Purchased other required stock ≥ 7 years	457,904	—
Allocated stock ≥ 7 years	36,042	—
Allocated equities:		
Allocated equities held ≥ 7 years	101,904	—
Noncumulative perpetual preferred stock	750,000	—
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(135,769)	(135,769)
Other regulatory required deductions	(174)	(174)
Total	<u>\$ 2,195,186</u>	<u>\$ 849,336</u>
Denominator:		
Total assets	\$ 39,077,800	\$ 39,077,800
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(147,457)	(147,457)
Total	<u>\$ 38,930,343</u>	<u>\$ 38,930,343</u>

## NOTE 10 — EMPLOYEE BENEFIT PLANS

In addition to pension benefits, the Bank provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multiemployer, and consequently, the liability for these benefits is included in other liabilities. Bank employees hired after January 1, 2004, may be eligible for retiree medical benefits for themselves and their spouses at their expense and will be responsible for 100 percent of the related premiums. The following table summarizes the components of net periodic benefit costs for the Bank's other postretirement benefit costs for the three months ended March 31:

	2025	2024
Service cost	\$ 26	\$ 28
Interest cost	142	133
Amortization of:		
Prior service credits	—	(19)
Net actuarial gains	—	(35)
Total	<u>\$ 168</u>	<u>\$ 107</u>

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

The structure of the Texas District's defined benefit pension plan is characterized as multiemployer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and District Associations).



**NOTE 11 — ACCUMULATED OTHER COMPREHENSIVE LOSS**

AOCL includes the accumulated balance of certain gains, losses or costs for which values are included in assets or liabilities on the Balance Sheet, but which have not yet been recognized in earnings. For the Bank, these elements include unrealized gains or losses on the Bank's AFS investment portfolio, amortization of postretirement benefit elements and changes in the value of cash flow derivative instruments.

The following is a summary of the components of AOCL and the changes that occurred during the three months ended March 31, 2025:

	Total	Investments	Postretirement Benefit Plans	Cash Flow Derivative Instruments
Balance at January 1, 2025	\$ (466,147)	\$ (532,253)	\$ 1,019	\$ 65,087
Change in net unrealized losses on AFS securities:				
Net change in unrealized losses on AFS securities	60,754	60,754		
Net change in unrealized losses on AFS securities	60,754	60,754		
Change in postretirement benefit plans:				
Amounts amortized into net periodic expense:				
Amortization of prior service credits	—		—	
Net change in postretirement benefit plans	—		—	
Change in cash flow derivative instruments:				
Net unrealized loss on cash flow derivative instruments	(22,945)			(22,945)
Reclassification of loss recognized in interest expense	48			48
Net change in cash flow derivative instruments	(22,897)			(22,897)
Total other comprehensive income (loss)	37,857	60,754	—	(22,897)
Balance at March 31, 2025	\$ (428,290)	\$ (471,499)	\$ 1,019	\$ 42,190

The following is a summary of the components of AOCL and the changes that occurred during the three months ended March 31, 2024:

	Total	Investments	Postretirement Benefit Plans	Cash Flow Derivative Instruments
Balance at January 1, 2024	\$ (521,511)	\$ (568,329)	\$ 1,926	\$ 44,892
Change in net unrealized losses on AFS securities:				
Net change in unrealized losses on AFS securities	(15,388)	(15,388)		
Net change in unrealized losses on AFS securities	(15,388)	(15,388)		
Change in postretirement benefit plans:				
Amounts amortized into net periodic expense:				
Amortization of prior service credits and actuarial gains	(54)		(54)	
Net change in postretirement benefit plans	(54)		(54)	
Change in cash flow derivative instruments:				
Net unrealized gain on cash flow derivative instruments	26,284			26,284
Reclassification of loss recognized in interest expense	58			58
Net change in cash flow derivative instruments	26,342			26,342
Total other comprehensive income (loss)	10,900	(15,388)	(54)	26,342
Balance at March 31, 2024	\$ (510,611)	\$ (583,717)	\$ 1,872	\$ 71,234

The following table summarizes reclassifications out of accumulated other comprehensive (loss) income to current earnings for the three months ended March 31, 2025, and March 31, 2024:

Description	Amount Reclassified from AOCL		Location of Gain or Loss Recognized on the Statements of Comprehensive Income
	2025	2024	
Amortization of net credits on postretirement benefit plan	\$ —	\$ (54)	Salaries and employee benefits
Amortization of cash flow hedges	48	58	Interest expense
Total	<u>\$ 48</u>	<u>\$ 4</u>	

## NOTE 12 — SEGMENT REPORTING

The Bank's operations fall under one reportable segment. As per regulation and as discussed in Note 1, "Organization and Operations" in the 2024 Annual Report, our business activities are primarily focused on providing financial services and credit to borrowers in the farming, ranching, agribusiness and rural community sectors. The Bank provides funding either by directly financing the eligible borrowers through affiliated District Associations or indirectly financing through the purchase of participation loans in collaboration with District Associations, other Farm Credit entities and financial institutions. The Bank also provides other services to its affiliated District Associations in credit, accounting, technology, compliance, risk management, human resources and other areas. For the three months ended March 31, 2025, and March 31, 2024, the Bank's major customer includes a District Association with revenues in excess of 10 percent of the Bank's total revenues. Total revenues are comprised of interest income and non-interest income.

The Bank's CODM is its chief executive officer who uses net income, as presented on the statements of comprehensive income as the reportable measures of segment profit or loss, to monitor actual versus planned results and benchmarking the Bank's performance with peers. The benchmarking analysis along with the monitoring of actual versus planned results are used in assessing the performance of the Bank and in establishing recommendations on management's compensation. The measure of segment assets is reported on the Balance Sheet as total assets. There is no separate segment financial information as the Bank only has one segment.

## NOTE 13 — SUBSEQUENT EVENTS

The Bank has evaluated subsequent events through May 9, 2025, which is the date the financial statements were issued. There are no subsequent events requiring disclosure as of May 9, 2025.

## NOTE 14 — COMBINED DISTRICTWIDE FINANCIAL STATEMENTS

The accompanying financial statements relate solely to the Bank and exclude financial information of the District Associations. The Bank separately publishes certain unaudited combined financial information of the Texas District, including a condensed statement of condition and statement of income, which can be found on the Bank's website at [www.farmcreditbank.com](http://www.farmcreditbank.com).

## Additional Regulatory Information

*(Unaudited, dollar amounts in thousands, except as otherwise noted)*

### Disclosure Map

The following table summarizes the interim disclosure requirements and indicates where each matter is disclosed in this quarterly report.

Disclosure Requirement	Description	March 31, 2025 Quarterly Report Reference
Scope of Application	Corporate entity and structure	Page 50
Capital Structure	Regulatory capital components	Page 51
Capital Adequacy	Risk-weighted assets	Page 52
	Regulatory capital ratios	Page 52
Capital Buffers	Quantitative disclosures	Page 52
Credit Risk	Summary of exposures	Page 53
	Industry distribution	Page 53
	Contractual maturity	Page 54
	Geographic distribution	Page 54
	Nonperforming loans	Note 3 on Pages 32-33
	Allowance for credit losses on loans	Note 3 on Pages 36-37
Counterparty Credit Risk-Related Exposures	Counterparty exposures	Page 54
Credit Risk Mitigation	Exposures with reduced capital requirements	Page 55
Securitization	Securitization exposures	Page 55
Equities	General description	Page 55
Interest Rate Risk for Nontrading Activities	Interest rate sensitivity	Page 56

### SCOPE OF APPLICATION

The following disclosures contain regulatory disclosures as required under FCA Regulation §628.63 for risk-adjusted ratios: common equity tier 1, tier 1 capital and total capital. Refer to Note 9 of the accompanying financial statements for information regarding the statutorily required permanent capital ratio. As required, these disclosures are made available for at least three years and can be accessed at Farm Credit Bank of Texas' website at [www.farmcreditbank.com](http://www.farmcreditbank.com). FCA Regulation §628.62(a) requires each System bank to provide timely public disclosures at the end of each calendar quarter. Qualitative disclosures that typically do not change each quarter may be disclosed annually after the end of the fourth quarter, provided that any significant changes are disclosed in the interim.

The disclosures herein relate solely to the Bank and exclude financial information of the District Associations. The Bank has no subsidiaries; therefore, the financial statements are only those of the Bank and are not consolidated with any other entity.

**CAPITAL STRUCTURE**

The following table provides a summary of the Bank's capital structure at March 31, 2025:

	Three-Month Average Daily Balance
Common equity tier 1 capital (CET1):	
Common cooperative equities:	
Purchased other required stock ≥ 7 years	\$ 539,820
Allocated stock ≥ 7 years	36,042
Allocated equities:	
Qualified allocated equities subject to retirement	108,979
Nonqualified allocated equities subject to retirement	—
Nonqualified allocated equities not subject to retirement	—
Unallocated retained earnings	897,783
Adjustments for patronage or dividend accrued receivables and payables	(17,456)
Paid-in capital	—
Regulatory adjustments and deductions made to CET1	(136,564)
Total CET1 capital	<u>\$ 1,428,604</u>
Additional tier 1 capital (AT1):	
Noncumulative perpetual preferred stock	\$ 750,000
Regulatory adjustments and deductions made to AT1 capital	—
Total AT1 capital	<u>750,000</u>
Total tier 1 capital	<u>\$ 2,178,604</u>
Tier 2 capital (T2):	
Common cooperative equities not included in CET1	\$ —
T2 capital elements (allowance for credit losses on loans)	40,050
Regulatory adjustments and deductions made to T2 capital	—
Total T2 Capital	<u>40,050</u>
Total capital	<u>\$ 2,218,654</u>

## Capital Adequacy and Capital Buffers

The Bank's risk-adjusted regulatory capital ratios are calculated by dividing the relevant total capital elements by risk-weighted assets. The following table provides the Bank's risk-weighted assets at March 31, 2025:

	Three-Month Average Daily Balance
On-Balance Sheet Assets:	
Exposures to sovereign entities	\$ —
Exposures to supranational entities and Multilateral Development Banks	—
Exposures to government-sponsored entities (direct notes to District Associations)	4,533,340
Exposures to depository institutions, foreign banks and credit unions	3,800
Exposures to public sector entities	—
Corporate exposures, including borrower loans and exposures to other financing institutions	9,307,016
Residential mortgage exposures	—
Past due and nonaccrual exposures	59,702
Securitization exposures	91,125
Exposures to other assets	629,995
Total Risk-Weighted Assets, On-Balance Sheet Assets	14,624,978
Off-Balance Sheet Assets:	
Letters of Credit	142,094
Commitments	2,460,782
Repo-styled transactions	170
Over-the-counter derivatives	12,269
Unsettled transactions	—
Cleared transactions	—
All other off-Balance Sheet exposures	1,777
Total Risk-Weighted Assets, Off-Balance Sheet Assets	2,617,092
Total Risk-Weighted Assets Before Adjustments	17,242,070
Additions:	
Intra-system equity investments	136,564
Deductions:	
Regulatory capital deductions	(136,564)
Total Standardized Risk-Weighted Assets	\$ 17,242,070

## Capital and Leverage Ratios

As of March 31, 2025, the Bank was well-capitalized and exceeded all capital requirements. Because the Bank's capital and leverage ratios exceeded the minimum regulatory requirements of 8.00 percent and 4.00 percent, respectively, the Bank currently has no limitations on its distributions and discretionary bonus payments.

	Regulatory Minimums	Capital Conservation Buffers	Ratios as of March 31, 2025	Calculated Buffers
Common equity tier 1 capital ratio	4.50 %	2.50 %	8.29 %	3.79 %
Tier 1 capital ratio	6.00	2.50	12.64	6.64
Total capital ratio	8.00	2.50	12.87	4.87
Tier 1 leverage ratio	4.00	1.00	5.52	1.52

## CREDIT RISK

System entities have specific lending authorities within their chartered territories. The Bank is chartered to serve its District Associations in Alabama, Mississippi, New Mexico, Louisiana and Texas. Our chartered territory is referred to as the Texas District. The Bank serves its chartered territory by lending to the Federal Land Credit Association (FLCA) and Agricultural Credit Associations (ACAs). The allowance for credit losses on loans (ACLL) is determined based on a periodic evaluation of the loan portfolio, which identifies loans that may be impaired based on characteristics such as probability of default (PD) and loss given default (LGD). Allowance needs by geographic region are only considered in circumstances that may not otherwise be reflected in the PD and LGD, such as flooding or drought. There was no allowance attributed to a geographic area as of March 31, 2025.

Refer to the Risk-Adjusted Asset table below for the Bank's total and average loans, investment securities, off-Balance Sheet commitments and over-the-counter (OTC) derivatives. The following table illustrates the Bank's total exposure (including commitments) by loan type as of March 31, 2025.

	Total Exposure
Direct notes receivable from District Associations	\$ 28,886,290
Real estate mortgage	1,339,840
Production and intermediate-term	1,911,762
Agribusiness	
Loans to cooperatives	1,074,009
Processing and marketing	5,063,296
Farm-related business	410,639
Communications	979,184
Energy (rural utilities)	2,849,792
Water and waste disposal	407,422
Mission-related	1,986
Rural home	1,068
International	291,544
Leases	3,890
Loans to other financing institutions	82,000
Total	<u>\$ 43,302,722</u>

The following table provides an overview of the remaining contractual maturity of the Bank's credit risk portfolio categorized by exposure at March 31, 2025. The remaining contractual maturity for the Bank's direct notes from the District Associations is included in the loans line item based on the contractual terms of the underlying association retail loans. Unfunded commitments for direct notes from District Associations reflects the aggregate remaining amount that the District Associations can borrow from the Bank and is included in the unfunded commitments line item within the due in one year or less column.

	Due in one year or less	Due after one year through five years	Due after five years	Total
Loans	\$ 5,691,999	\$ 10,831,229	\$ 15,989,429	\$ 32,512,657
Off-Balance Sheet commitments:				
Financial letters of credit	112,333	113,544	204	226,081
Performance letters of credit	7,833	1,534	1,384	10,751
Commercial letters of credit	2,446	76	1,577	4,099
Unfunded commitments	7,901,349	2,423,720	224,065	10,549,134
Investments	805,335	1,140,312	4,899,985	6,845,632
Derivatives (notional)	20,000	1,075,000	400,000	1,495,000
Total	\$ 14,541,295	\$ 15,585,415	\$ 21,516,644	\$ 51,643,354

The following table illustrates the Bank's total exposure (including commitments) by geographic distribution as of March 31, 2025:

State*	Percentage
Texas	60 %
Alabama	6
Mississippi	6
Louisiana	4
California	2
All other states	22
Total	100 %

\*The geographic distribution is based on the state in which the borrower is headquartered and may not be representative of their operations or business activities.

Refer to Note 3 of the accompanying financial statements for amounts of loans in nonaccrual status and greater than 90 days past due and still accruing, nonaccrual loans with or without a related allowance for credit losses, the allowance at the end of each reporting period, charge-offs during the period, and changes in components of our allowance for credit losses.

### Counterparty Credit Risk and Credit Risk Mitigation

The table below shows the notional value of derivatives, segregated among interest rate caps and pay-fixed swaps, which are traded in OTC markets as of March 31, 2025 and the fair value of these derivatives with excess variation margin for cleared activities.

	Notional Amount	Fair Value Positive (Negative)
Interest rate caps	\$ 95,000	\$ 41
Pay-fixed swaps	1,400,000	(2,793)
Total	\$ 1,495,000	\$ (2,752)

The following table provides the total exposure covered by guarantees for each separately disclosed credit risk portfolio and the risk-weighted asset amount associated with that exposure. The Bank did not hold eligible financial collateral for its loan, investment and derivative portfolios at March 31, 2025.

Government-Guaranteed Asset Type	Three-Month Average Daily Balance	Risk Weighting	Risk-Weighted Amount
Investments	\$ 4,837,588	0%	\$ —
Loans	1,878	0%	—
Total	<u>\$ 4,839,466</u>		<u>\$ —</u>

## SECURITIZATION

The Bank currently only participates in credit-related securitizations as an investor through the purchase of highly rated asset-backed securities (ABS) and included in its investment portfolio. The Bank also holds securitization exposures through the purchase of U.S. government and agency guaranteed securities. The Bank has not transferred any exposures that it has originated or purchased from a third party in connection with a securitization of assets as of March 31, 2025, nor does it have any outstanding exposures that it intends to be securitized at March 31, 2025. The Bank did not recognize any gain or loss on securitized assets for the three months ended March 31, 2025.

Below is an overview of the Bank's purchased securitization exposures held as of March 31, 2025, by exposure type and categorized by risk-weighting band and risk-based capital approach. Refer to Note 2 of the accompanying financial statements for additional information.

Description of Securitization	Risk-Based Capital Approach	Exposure Amount	Risk Weighting
Agency MBS:			
GNMA	Standardized risk weighting	\$ 3,187,772	0%
FNMA and FHLMC	Standardized risk weighting	2,785,114	0%-20%
Total		<u>\$ 5,972,886</u>	
Asset-backed securities:			
Small Business Administration	Standardized risk weighting	\$ 62,331	0%
Asset-backed securities	Gross-up	90,767	20%-100%
Total		<u>\$ 153,098</u>	

## EQUITIES

The Bank has certain exposure to equity investments. The Bank is a limited partner in certain Rural Business Investment Companies (RBICs) for various relationship and strategic reasons. These RBICs facilitate equity and debt investments in agriculture-related businesses that create growth and job opportunities in rural America. There have been no sales or liquidations of these investments during the period.

As of March 31, 2025	Disclosed in Other Assets	Life-to-Date Losses Recognized in Retained Earnings*
RBICs	\$ 19,273	\$ 14,163

\*Retained earnings is included in common equity tier 1 and total capital ratios.



The Bank also holds an investment in an unincorporated business entity (UBE), as defined by FCA regulation. The Bank holds this investment to manage an unusual and complex collateral associated with a loan workout.

The investments in the RBICs and UBE are not publicly traded and are accounted for under the equity method. The book value approximates fair value. The Bank had no unrealized gains or losses either carried on the Balance Sheet or recognized through earnings.

## INTEREST RATE RISK

The following table sets forth the Bank's projected annual net interest income and market value of equity sensitivities for interest rate movements as prescribed by policy, based on the Bank's interest-earning assets and interest-bearing liabilities at March 31, 2025:

<b>Basis points:</b>	<b>-200</b>	<b>-100</b>	<b>+100</b>	<b>+200</b>
Change in net interest income	2.43%	0.48%	2.81%	5.19%
Change in market value of equity	26.01%	12.08%	(8.30)%	(15.38)%

**OUR MISSION** is to serve as a  
dependable provider of credit  
and other financial services to  
agriculture and rural  
communities.



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