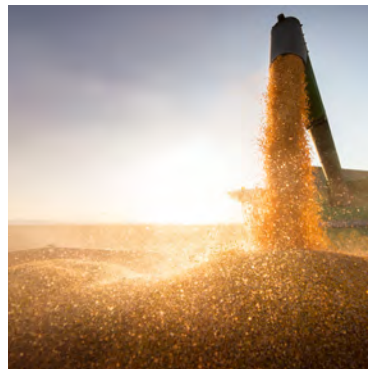
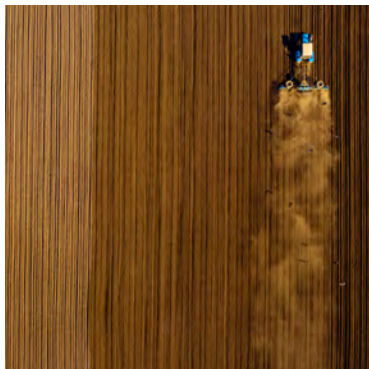


# 2025

## First Quarter Report



## Introduction and Texas Farm Credit District Overview

*(Unaudited, dollars in thousands, except as noted)*

The Farm Credit Bank of Texas (the Bank) and its affiliated associations, collectively referred to as the Texas Farm Credit District (the Texas District), are part of the Farm Credit System (the System). The System is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. The Texas District's chartered territory includes the states of Texas, Alabama, Mississippi, Louisiana and New Mexico. As of March 31, 2025, the Bank served one Federal Land Credit Association (FLCA) and 11 Agricultural Credit Associations (ACAs) (collectively referred to as Associations). The Bank also serves certain Other Financing Institutions (OFIs), which are not part of the System.

The U.S. Congress authorized the creation of the first System institutions in 1916 to provide support for the agricultural sector because of its significance to the well-being of the U.S. economy and the U.S. consumer. The mission of the System is to provide sound and dependable credit to American farmers, ranchers, producers or harvesters of aquatic products, their cooperatives and certain farm-related businesses. The System does this by making appropriately structured loans to qualified individuals and businesses at competitive rates and providing financial services and advice to those persons and businesses. The System is a cooperative structure. Cooperatives are organizations that are owned and controlled by their members who use the cooperative's products or services.

Farm Credit's funds are raised by the Federal Farm Credit Banks Funding Corporation (the Funding Corporation) and insured by the Farm Credit System Insurance Corporation (FCSIC). On behalf of the four System banks, the Funding Corporation issues a variety of Federal Farm Credit Banks Combined Systemwide Debt Securities with broad ranges of maturities and structures. Each System bank has exposure to systemwide credit risks because it is jointly and severally liable for all debt issued by the Funding Corporation. The associations in each district receive funding from their System bank and, in turn, provide credit to their borrower-shareholders. The associations have specific lending authority within their chartered territories and are subject to examination and regulation by an independent federal agency, the Farm Credit Administration.

The following commentary reviews the combined financial statements of condition and results of operations of the Texas District for the three months ended March 31, 2025.

## Combined Financial Highlights

(dollars in thousands, except as noted)

	March 31, 2025	December 31, 2024
Total loans	\$ 40,408,511	\$ 39,797,143
Allowance for credit losses on loans	154,333	130,933
Net loans	40,254,178	39,666,210
Total assets	48,968,446	48,203,586
Total members' equity	5,991,431	5,809,862
<b>Three Months Ended March 31,</b>		
	2025	2024
Net interest income	\$ 305,663	\$ 290,923
Provision for credit losses on loans	24,492	13,610
Net fee income	11,007	8,793
Net income	177,705	164,927
Net interest margin	2.62 %	2.61 %
Net loan charge-offs as a percentage of average loans	—	0.10
Return on average assets (ROA)	1.49	1.45
Return on average shareholders' equity (ROE)	12.16	11.85
Operating expenses as a percentage of net interest income and noninterest income	40.55	43.16
Average loans	\$ 40,078,832	\$ 37,833,450
Average interest earning assets	47,387,357	44,851,485
Average total assets	48,452,151	45,885,833

## Management's Discussion and Analysis

(dollars in thousands, except as noted)

### CONDITIONS IN THE TEXAS DISTRICT

The Texas District 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 in the Texas District 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 Texas District was \$177.7 million for the three months ended March 31, 2025, an increase of \$12.8 million, or 7.75 percent, from the same period of 2024. The increase in net income was primarily driven by a \$14.7 million increase in net interest income and an \$11.2 million increase in noninterest income, partially offset by a \$10.9 million increase in the provision for credit losses on loans and a \$2.3 million increase in noninterest expense. The return on average assets increased to 1.49 percent for the three months ended March 31, 2025, from 1.45 percent for the three months ended March 31, 2024.

### **Net Interest Income**

Net interest income for the three months ended March 31, 2025, was \$305.7 million, an increase of \$14.7 million, or 5.07 percent, over the same period of 2024, driven by a \$2.54 billion increase in the Texas District's average earning assets. The net interest rate spread for the three months ended March 31, 2025, was 2.16 percent, an increase of 2 basis points from the net interest rate spread for the three months ended March 31, 2024, of 2.14 percent. The increase was attributable to a 5 basis points decrease in the average cost of debt, partially offset by a 3 basis points decrease in the yield on average interest-earning assets. Net interest margin increased by 1 basis point to 2.62 percent for the three months ended March 31, 2025, compared to 2.61 percent for the same period of 2024.

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

During the three months ended March 31, 2025, the provision for credit losses on loans totaled \$24.5 million, an increase of \$10.9 million compared to the same period of 2024. The combined Associations recorded a provision for credit losses on loans of \$9.8 million for the three months ended March 31, 2025, compared to \$9.6 million for the same period of 2024. The provision for credit losses on loans for the combined Associations, during the three months ended March 31, 2025, reflects specific reserves for certain loans in the production and intermediate-term, agribusiness and energy/water and waste disposal loan sectors. The Bank recorded a provision for credit losses on loans of \$14.7 million for the three months ended March 31, 2025, compared to \$4.0 million for the same period of 2024. The Bank's 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.

### **Noninterest Income**

Noninterest income for the three months ended March 31, 2025, was \$34.2 million, an increase of \$11.2 million, or 48.69 percent, compared to the same period of 2024. The increase was primarily

driven by a \$7.5 million return of excess insurance funds from the Farm Credit System Insurance Corporation (FCSIC) during the three months ended March 31, 2025, and an increase of \$2.2 million in fees for loan-related services.

### Noninterest Expense

Noninterest expense for the three months ended March 31, 2025, totaled \$137.8 million, an increase of \$2.3 million, or 1.70 percent, from the same period of 2024. The increase in noninterest expense was primarily driven by a \$4.0 million increase in salary and employee benefits, partially offset by a decrease in other operating expenses of \$1.3 million, which was primarily for expenses related to other property owned during the three months ended March 31, 2024, and a decrease of \$527 thousand in occupancy and equipment expenses.

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.

### LOAN PORTFOLIO

The following table summarizes Texas District loans by loan type:

	March 31, 2025	December 31, 2024
Real estate mortgage	\$ 23,617,118	\$ 23,526,342
Production and intermediate-term	5,694,695	5,828,651
Agribusiness:		
Loans to cooperatives	776,786	571,612
Processing and marketing	5,639,245	5,423,930
Farm-related business	534,402	533,116
Communications	1,145,897	1,169,983
Energy (rural utilities)	2,030,635	1,776,002
Water and waste disposal	387,053	374,046
Rural residential real estate	247,398	251,242
International	218,950	229,549
Mission-related	30,213	30,512
Loans to other financing institutions (OFIs)	62,158	56,397
Lease receivables	23,961	25,761
Total	\$ 40,408,511	\$ 39,797,143

The Texas District loan portfolio consists predominantly of retail loans. The Bank's loans to the Texas District Associations, also referred to as direct notes, have been eliminated in the combined financial statements. Total Texas District loan volume at March 31, 2025 was \$40.41 billion, an increase of \$611.4 million, or 1.54 percent, from the \$39.80 billion loan portfolio balance at December 31, 2024. The loan volume increase of \$611.4 million during the three months ended March 31, 2025 was driven by a \$250.5 million, or 0.82 percent, increase in the Texas District Associations' loan portfolios and a \$355.1 million, or 3.87 percent, increase in the Bank's capital markets loan portfolio.

The Bank's capital markets loan portfolio, also referred to as 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

Texas District Associations, which may exceed their hold limits, the Bank seeks the purchase of participations and syndications originated outside 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 other System entities.

## LOAN QUALITY

One credit quality indicator utilized by the Texas District is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets 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 tables show the amortized cost of loans (principal balance adjusted for discounts, premiums, charge-offs, recoveries and deferred loan fees and costs) classified under the Uniform Loan Classification System by origination year as of March 31, 2025 and December 31, 2024:

March 31, 2025	Acceptable	OAEM (Special Mention)	Substandard	Doubtful	Total	Gross Charge- offs for the Three Months Ended March 31, 2025
2025	\$ 1,526,544	\$ 20,047	\$ 22,358	\$ —	\$ 1,568,949	\$ —
2024	5,674,810	85,625	41,020	—	5,801,455	138
2023	4,139,229	56,789	88,134	—	4,284,152	70
2022	5,150,997	200,843	38,901	—	5,390,741	25
2021	5,976,940	57,138	92,160	772	6,127,010	43
Prior	10,107,736	170,613	172,666	—	10,451,015	47
Revolving loans	6,165,868	216,230	209,479	—	6,591,577	334
Revolving loans converted to term loans	186,370	3,031	4,211	—	193,612	—
Total	\$38,928,494	\$ 810,316	\$ 668,929	\$ 772	\$40,408,511	\$ 657
Percentage	96.33 %	2.01 %	1.66 %	— %	100.00 %	

December 31, 2024	Acceptable	OAEM (Special Mention)	Substandard	Doubtful	Total	Gross Charge-offs for the year ended December 31, 2024
2024	\$ 5,684,316	\$ 60,450	\$ 40,600	\$ —	\$ 5,785,366	\$ 146
2023	4,346,134	52,601	52,492	—	4,451,227	288
2022	5,414,618	149,932	28,236	4,579	5,597,365	5,633
2021	6,213,444	93,322	67,210	815	6,374,791	11,966
2020	3,829,858	79,368	77,932	—	3,987,158	542
Prior	6,609,656	133,950	59,822	—	6,803,428	11,463
Revolving loans	6,278,482	282,281	130,936	1,380	6,693,079	9,835
Revolving loans converted to term loans	96,755	1,861	6,113	—	104,729	—
Total	<u>\$ 38,473,263</u>	<u>\$ 853,765</u>	<u>\$ 463,341</u>	<u>\$ 6,774</u>	<u>\$ 39,797,143</u>	<u>\$ 39,873</u>
Percentage	96.67 %	2.15 %	1.16 %	0.02 %	100.00 %	

Overall credit quality in the Texas District remained strong at March 31, 2025. Loans classified as acceptable or OAEM as a percentage of total loans were 98.34 percent and 98.82 percent at March 31, 2025 and December 31, 2024, respectively.

The table below summarizes the amortized cost of the Texas District's nonperforming assets:

	March 31, 2025	December 31, 2024
Nonaccrual loans:		
Real estate mortgage	\$ 102,871	\$ 59,931
Production and intermediate-term	75,420	69,411
Agribusiness	48,729	23,686
Energy and water/waste disposal	1,555	1,663
Rural residential real estate	573	466
Leases	386	386
Total nonaccrual loans	<u>229,534</u>	<u>155,543</u>
Accruing loans 90 days or more past due:		
Real estate mortgage	5,491	2,765
Production and intermediate-term	1,883	823
Rural residential real estate	—	188
Mission-related	1,335	282
Total accruing loans 90 days or more past due	<u>8,709</u>	<u>4,058</u>
Total nonperforming loans	<u>238,243</u>	<u>159,601</u>
Other property owned	6,379	8,813
Total nonperforming assets	<u>\$ 244,622</u>	<u>\$ 168,414</u>

The Texas District's nonperforming loans are composed of nonaccrual loans and accruing loans 90 days or more past due. Nonperforming assets consist of nonperforming loans and other property owned (OPO). Total nonperforming assets have increased by \$76.2 million, or 45.25 percent, from \$168.4 million at December 31, 2024, to \$244.6 million at March 31, 2025. The increase was driven by a \$74.0 million increase in nonaccrual loans and a \$4.7 million increase in accruing loans 90 days or more past due, partly offset by a \$2.4 million decrease in OPO. The increase in nonaccrual loans of \$74.0 million, or 47.57 percent, reflects the credit deterioration among select borrowers in the real estate mortgage, agribusiness and production and intermediate-term loan sectors, partially



offset by loan repayments on other nonaccrual loans. OPO is held for sale and consists of real and personal property acquired through collection activities.

At March 31, 2025, \$104.7 million, or 45.62 percent, of loans classified as nonaccrual were current as to principal and interest, compared to \$88.6 million, or 56.95 percent, of nonaccrual loans at December 31, 2024.

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

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
Real estate mortgage	\$ 273,653	\$ 30,441	\$ 304,094	\$ 23,313,024	\$ 23,617,118
Production and intermediate-term	51,994	9,762	61,756	5,632,939	5,694,695
Agribusiness	2,840	6,731	9,571	6,940,862	6,950,433
Communications	—	—	—	1,145,897	1,145,897
Energy (rural utilities)	—	—	—	2,030,635	2,030,635
Water and waste disposal	—	—	—	387,053	387,053
Rural residential real estate	3,422	314	3,736	243,662	247,398
International	—	—	—	218,950	218,950
Mission-related	775	1,335	2,110	28,103	30,213
Loans to OFIs	—	—	—	62,158	62,158
Lease receivables	—	386	386	23,575	23,961
Total	\$ 332,684	\$ 48,969	\$ 381,653	\$ 40,026,858	\$ 40,408,511

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
Real estate mortgage	\$ 178,601	\$ 33,517	\$ 212,118	\$ 23,314,224	\$ 23,526,342
Production and intermediate-term	26,825	2,361	29,186	5,799,465	5,828,651
Agribusiness	23,624	5,035	28,659	6,499,999	6,528,658
Communications	—	—	—	1,169,983	1,169,983
Energy (rural utilities)	—	—	—	1,776,002	1,776,002
Water and waste disposal	—	—	—	374,045	374,045
Rural residential real estate	3,510	188	3,698	247,545	251,243
International	—	—	—	229,549	229,549
Mission-related	1,534	282	1,816	28,696	30,512
Loans to OFIs	—	—	—	56,397	56,397
Lease receivables	386	—	386	25,375	25,761
Total	\$ 234,480	\$ 41,383	\$ 275,863	\$ 39,521,280	\$ 39,797,143

A summary of changes in the allowance for credit losses on loans and the allowance for credit losses on unfunded commitments for the three months ended March 31, 2025 and March 31, 2024 are as follows:

	Real Estate Mortgage	Production and Intermediate- Term	Agri- business	Communi- cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter- national	Mission- Related	Loans to OFIs	Lease Receivables	Total
Allowance for Credit Losses on Loans:											
Balance at December 31, 2024	\$ 59,970	\$ 32,981	\$ 29,389	\$ 2,501	\$ 3,719	\$ 659	\$ 298	\$ 12	\$ —	\$ 1,404	\$ 130,933
Charge-offs	(282)	(375)	—	—	—	—	—	—	—	—	(657)
Recoveries	89	95	760	—	—	—	—	—	—	—	944
Provision for credit losses/ (Loan loss reversal)	(1,036)	16,137	5,452	241	1,740	(13)	118	(1)	—	475	23,113
Balance at March 31, 2025	\$ 58,741	\$ 48,838	\$ 35,601	\$ 2,742	\$ 5,459	\$ 646	\$ 416	\$ 11	\$ —	\$ 1,879	\$ 154,333
Allowance for Credit Losses on Unfunded Commitments*:											
Balance at December 31, 2024	\$ 949	\$ 1,787	\$ 3,802	\$ 201	\$ 850	\$ 1	\$ 50	\$ —	\$ —	\$ —	\$ 7,640
Provision for credit losses/ (Loan loss reversal)	(127)	199	122	64	1,126	1	(6)	—	—	—	1,379
Balance at March 31, 2025	\$ 822	\$ 1,986	\$ 3,924	\$ 265	\$ 1,976	\$ 2	\$ 44	\$ —	\$ —	\$ —	\$ 9,019
	Real Estate Mortgage	Production and Intermediate- Term	Agri- business	Communi- cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter- national	Mission- Related	Loans to OFIs	Lease Receivables	Total
Allowance for Credit Losses on Loans:											
Balance at December 31, 2023	\$ 54,375	\$ 25,677	\$ 32,207	\$ 2,337	\$ 5,227	\$ 670	\$ 119	\$ 12	\$ —	\$ 637	\$ 121,261
Charge-offs	(141)	(476)	(8,954)	—	—	(11)	—	—	—	—	(9,582)
Recoveries	53	384	186	—	—	—	—	—	—	333	956
Provision for credit losses/ (Loan loss reversal) on loans	(997)	4,635	9,186	247	583	(23)	43	1	—	(230)	13,445
Balance at March 31, 2024	\$ 53,290	\$ 30,220	\$ 32,625	\$ 2,584	\$ 5,810	\$ 636	\$ 162	\$ 13	\$ —	\$ 740	\$ 126,080
Allowance for Credit Losses on Unfunded Commitments*:											
Balance at December 31, 2023	\$ 486	\$ 1,129	\$ 4,749	\$ 151	\$ 714	\$ 1	\$ 66	\$ —	\$ —	\$ —	\$ 7,296
Provision for credit losses/ (Loan loss reversal)	(124)	249	50	(15)	7	—	(2)	—	—	—	165
Balance at March 31, 2024	\$ 362	\$ 1,378	\$ 4,799	\$ 136	\$ 721	\$ 1	\$ 64	\$ —	\$ —	\$ —	\$ 7,461

\*Allowance for credit losses on unfunded commitments are recorded in other liabilities.

Loans, net of the allowance for credit losses on loans, represented 82.20 percent of total assets at March 31, 2025 and 82.29 percent at December 31, 2024, respectively.

## INVESTMENTS

The Bank is responsible for meeting the Texas District's funding, liquidity and asset/liability management needs. While access to the unsecured debt capital markets remains the Bank's primary source of liquidity, the Bank also maintains a secondary source of liquidity through a high-quality investment portfolio and other short-term liquid assets. The Bank holds these investments on an available-for-sale basis. Refer to the Bank's 2024 Annual Report for additional description of the types of investments and maturities. Additionally, the Texas District Associations have regulatory authority to enter into certain guaranteed investments that are typically mortgage-backed or asset-backed securities.

The Texas District's investment portfolio is summarized in the following table:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2025				
Bank investments	\$ 7,317,131	\$ 7,773	\$ (479,272)	\$ 6,845,632
Texas District Association investments	274,270	988	(1,247)	274,011
Total	<u>\$ 7,591,401</u>	<u>\$ 8,761</u>	<u>\$ (480,519)</u>	<u>\$ 7,119,643</u>
December 31, 2024				
Bank investments	\$ 7,174,737	\$ 4,472	\$ (536,725)	\$ 6,642,484
Texas District Association investments	251,587	1,066	(1,038)	251,615
Total	<u>\$ 7,426,324</u>	<u>\$ 5,538</u>	<u>\$ (537,763)</u>	<u>\$ 6,894,099</u>

The Texas District Associations' investments in the preceding table include held-to-maturity securities with an amortized cost of \$54.6 million (unrealized net loss of \$340 thousand and a fair value of \$54.3 million) as of March 31, 2025. As of December 31, 2024, the investments in the preceding table include held-to-maturity securities with an amortized cost of \$35.8 million (unrealized net loss of \$243 thousand and a fair value of \$35.6 million). These securities are reported at amortized cost and are included in investment securities on the Balance Sheets.

The Texas District evaluated its investment securities with unrealized losses for impairment at the end of the three months ended March 31, 2025. As a result of the assessment, the Texas District concluded that it does not intend to sell any securities and it is more likely than not that it would not be required to sell any securities prior to recovery of the amortized cost basis. The Texas District concluded that a credit impairment did not exist at March 31, 2025.

## CAPITAL RESOURCES

The Texas District's equity totaled \$5.99 billion at March 31, 2025, including \$1.03 billion in preferred stock, \$73.7 million in capital stock and participation certificates, \$4.98 billion in retained earnings and \$347.9 million in additional paid-in-capital, partially offset by accumulated other comprehensive loss of \$443.4 million.

Borrower equity purchases required by Texas District Association capitalization bylaws, combined with a history of growth in retained earnings at Texas District Associations, have resulted in Texas District Associations being able to maintain strong capital positions. The \$5.99 billion capital position of the Texas District at March 31, 2025 reflected an increase of \$181.6 million compared to the capital position of \$5.81 billion at December 31, 2024. The increase since December 31, 2024 primarily reflects net income of \$177.7 million and a \$37.3 million decrease in accumulated other comprehensive loss, partially offset by estimated patronage payments of \$19.0 million and preferred stock dividend payments of \$14.9 million.

Following is a summary of the components of accumulated other comprehensive loss:

	March 31, 2025	December 31, 2024
Unrealized losses on investment securities	\$ (471,758)	\$ (532,225)
Derivatives and hedging position	42,189	65,086
Pension and postretirement plan position	(13,880)	(13,631)
Total	<u>\$ (443,449)</u>	<u>\$ (480,770)</u>

Accumulated other comprehensive loss totaled \$443.4 million at March 31, 2025, a decrease of \$37.3 million from December 31, 2024. The decrease in accumulated other comprehensive loss reflects a decrease of \$60.5 million in unrealized losses on the Bank's available-for-sale investments, partially offset by a \$22.9 million decrease related to the valuation of interest rate swaps at the Bank. All changes are primarily attributable to changes in interest rates.

The Farm Credit Administration sets minimum regulatory capital requirements for System banks and associations.

March 31, 2025	Primary Components of Numerator	Regulatory Minimums with Capital Conservation Buffers	Bank	Texas District Associations
Risk adjusted:				
Common equity tier 1 capital ratio	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity) <sup>1</sup>	7.00%	8.29%	10.19% - 18.32%
Tier 1 capital ratio	CET1 capital, noncumulative perpetual preferred stock	8.50%	12.64%	11.59% - 18.32%
Total capital ratio	Tier 1 capital, allowance for credit losses <sup>2</sup> , common cooperative equities <sup>3</sup> and term preferred stock and subordinated debt <sup>4</sup>	10.50%	12.87%	11.90% - 18.65%
Permanent capital ratio	Retained earnings, common stock, noncumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.00%	12.66%	11.63% - 18.38%
Non-risk adjusted:				
Tier 1 leverage ratio*	Tier 1 capital	5.00%	5.52%	10.88% - 16.73%
UREE leverage ratio	URE and URE equivalents	1.50%	1.88%	3.76% - 16.45%

\* Must include the regulatory minimum requirements for the URE and UREE leverage ratio

<sup>1</sup> Equities outstanding 7 or more years

<sup>2</sup> Capped at 1.25% of risk-adjusted assets

<sup>3</sup> Outstanding 5 or more years, but less than 7 years

<sup>4</sup> Outstanding 5 or more years

# Combined Balance Sheets

(Unaudited, dollars in thousands)

	March 31, 2025	December 31, 2024
<b>Assets</b>		
Cash	\$ 99,575	\$ 39,935
Federal funds sold and overnight investments	384,658	455,323
Investment securities	7,119,643	6,894,099
Loans	40,408,511	39,797,143
Less allowance for credit losses on loans	154,333	130,933
Net loans	40,254,178	39,666,210
Accrued interest receivable	413,143	432,335
Premises and equipment, net	319,069	319,002
Other assets	378,180	396,682
<b>Total assets</b>	<b>\$ 48,968,446</b>	<b>\$ 48,203,586</b>
<b>Liabilities and members' equity</b>		
<b>Liabilities</b>		
Bonds and notes, net	\$ 42,270,013	\$ 41,508,770
Accrued interest payable	271,275	256,764
Patronage distributions payable	29,445	285,646
Preferred stock dividends payable	12,350	13,500
Other liabilities	393,932	329,044
<b>Total liabilities</b>	<b>42,977,015</b>	<b>42,393,724</b>
<b>Members' Equity</b>		
Preferred stock	1,030,000	1,030,000
Capital stock and participation certificates	73,737	73,182
Allocated retained earnings	1,113,745	1,113,807
Unallocated retained earnings	3,869,472	3,725,717
Additional paid-in-capital	347,926	347,926
Accumulated other comprehensive loss	(443,449)	(480,770)
<b>Total members' equity</b>	<b>5,991,431</b>	<b>5,809,862</b>
<b>Total liabilities and members' equity</b>	<b>\$ 48,968,446</b>	<b>\$ 48,203,586</b>

# Combined Statements of Income

(Unaudited, dollars in thousands)

	Three Months Ended March 31,	
	2025	2024
<b>Interest Income</b>		
Investment securities	\$ 67,791	\$ 64,999
Loans	630,468	605,157
<b>Total interest income</b>	<b>698,259</b>	<b>670,156</b>
<b>Interest Expense</b>		
Bonds and notes	333,520	311,265
Notes payable and other	59,076	67,968
<b>Total interest expense</b>	<b>392,596</b>	<b>379,233</b>
<b>Net interest income</b>	<b>305,663</b>	<b>290,923</b>
Provision for credit losses on loans	24,492	13,610
<b>Net interest income after provision for credit losses on loans</b>	<b>281,171</b>	<b>277,313</b>
<b>Noninterest Income</b>		
Patronage income	14,141	13,281
Fees for loan-related services	11,007	8,793
Refunds from Farm Credit System Insurance Corporation (FCSIC)	7,544	—
Other (loss) income, net	1,521	935
<b>Total noninterest income</b>	<b>34,213</b>	<b>23,009</b>
<b>Noninterest Expense</b>		
Salaries and employee benefits	77,181	73,162
Occupancy and equipment	20,361	20,888
Purchased services	9,438	9,480
Farm Credit System Insurance Corporation expense	9,000	8,828
Other operating expenses	21,853	23,173
<b>Total noninterest expense</b>	<b>137,833</b>	<b>135,531</b>
<b>Income before income taxes</b>	<b>177,551</b>	<b>164,791</b>
Benefit from income taxes	(154)	(136)
<b>Net Income</b>	<b>\$ 177,705</b>	<b>\$ 164,927</b>

## Select Information on Texas District Associations

(Unaudited, dollars in thousands)

As of March 31, 2025	Direct Notes	% of Total Direct Notes	Total Assets	Total Allowance and Capital	Total Capital Ratio	Nonperforming Loans as a % of Total Loans	Annualized ROA
AgTexas Farm Credit Services	\$ 2,800,343	10.28%	\$ 3,331,060	\$ 491,946	13.08%	0.30%	2.13%
AgTrust Farm Credit, ACA	2,657,138	9.75%	3,161,399	507,079	13.85%	0.37%	2.11%
Alabama Ag Credit, ACA	1,239,834	4.55%	1,498,985	254,658	15.20%	0.34%	1.67%
Alabama Farm Credit, ACA	1,096,583	4.02%	1,274,107	168,593	12.19%	0.51%	1.53%
Capital Farm Credit, ACA	11,484,406	42.14%	13,633,962	1,996,411	11.90%	0.92%	2.08%
Central Texas Farm Credit, ACA	579,863	2.13%	724,572	135,441	16.28%	0.01%	1.56%
Legacy Ag Credit, ACA	323,954	1.19%	397,508	71,115	18.65%	0.11%	1.08%
Louisiana Land Bank, ACA	913,202	3.35%	1,137,536	207,971	16.59%	0.11%	1.83%
Mississippi Land Bank, ACA	955,148	3.50%	1,155,585	182,158	14.35%	0.01%	1.46%
Plains Land Bank, FLCA	977,020	3.59%	1,177,302	185,587	14.07%	0.19%	2.22%
Southern AgCredit, ACA	1,432,806	5.26%	1,694,783	236,028	13.05%	0.01%	1.52%
Texas Farm Credit Services	2,790,631	10.24%	3,217,064	426,559	13.17%	0.74%	1.85%
<b>Totals</b>	<b>\$27,250,928</b>	<b>100.00%</b>	<b>\$32,403,863</b>	<b>\$4,863,546</b>			

## Texas District Contact Information

Name of Entity	Headquarters Location	Contact Number	Website
AgTexas Farm Credit Services	5004 N. Loop 289, Lubbock, Texas 79416	806-687-4068	<a href="http://www.agtexas.com">www.agtexas.com</a>
AgTrust Farm Credit, ACA	5600 Clearfork Main Street, Suite 600, Fort Worth, Texas 76109	817-332-6565	<a href="http://www.agtrustaca.com">www.agtrustaca.com</a>
Alabama Ag Credit, ACA	7480 Halcyon Pointe Drive, Suite 201, Montgomery, Alabama 36117	334-270-8687	<a href="http://www.alabamaagcredit.com">www.alabamaagcredit.com</a>
Alabama Farm Credit, ACA	300 2nd Avenue SW, Cullman, Alabama 35055	256-737-7128	<a href="http://www.alabamafarmcredit.com">www.alabamafarmcredit.com</a>
Capital Farm Credit, ACA	3902 South Traditions Drive, College Station, TX 77845	979-822-3018	<a href="http://www.capitalfarmcredit.com">www.capitalfarmcredit.com</a>
Central Texas Farm Credit, ACA	1026 Early Boulevard, Early, Texas 76802	325-643-5563	<a href="http://www.centraltexasfarmcredit.com">www.centraltexasfarmcredit.com</a>
Farm Credit Bank of Texas	4801 Plaza on the Lake Drive, Austin, Texas 78746	512-465-0400	<a href="http://www.farmcreditbank.com">www.farmcreditbank.com</a>
Legacy Ag Credit, ACA	303 Connally Street, Sulphur Springs, Texas 75482	903-885-9566	<a href="http://www.legacyaca.com">www.legacyaca.com</a>
Louisiana Land Bank, ACA	2413 Tower Drive, Monroe, Louisiana 71201	318-387-7535	<a href="http://www.louisianalandbank.com">www.louisianalandbank.com</a>
Mississippi Land Bank, ACA	5509 Highway 51 North, Senatobia, Mississippi 38668	662-562-9671	<a href="http://www.mslandbank.com">www.mslandbank.com</a>
Plains Land Bank, FLCA	5625 Fulton Drive, Amarillo, Texas 79109	806-353-6688	<a href="http://www.plainslandbank.com">www.plainslandbank.com</a>
Southern AgCredit, ACA	306 Commerce Center Drive, Ridgeland, Mississippi 39157	601-499-2820	<a href="http://www.southernagcredit.com">www.southernagcredit.com</a>
Texas Farm Credit Services	545 S. Highway 77, Robstown, Texas 78380	361-387-8563	<a href="http://www.texasfarmcredit.com">www.texasfarmcredit.com</a>



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