

2025

Second Quarter Report



FARM CREDIT
BANK OF TEXAS

Second Quarter 2025 Financial Report

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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 and six months ended June 30, 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 June 30, 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 the Combined Balance Sheets and Combined Statements of Income, which can be found on the Bank's website at www.farmcreditbank.com.

MATERIAL AND SIGNIFICANT EVENTS

On July 8, 2025, the Bank issued \$350.0 million of Class B perpetual non-cumulative subordinated preferred stock, Series 6 (Class B-6), representing 350,000 shares at \$1,000 per share par value, for net proceeds of \$346.5 million, with estimated issuance costs of \$3.5 million. Dividends on the Class B-6, if declared by the board of directors at its sole discretion, are noncumulative and are payable quarterly in arrears on the fifteenth day of March, June, September and December of each year, commencing September 15, 2025, at an annual fixed rate of 7.00 percent of par value of \$1,000 per share up to, but excluding, September 15, 2030 (the "First Reset Date"), from and after which date will be paid at an annual rate of the five-year Treasury rate as of the most recent five-year reset dividend determination date plus 3.010 percent. For regulatory purposes, the Class B-6 preferred stock will be included in permanent capital, total capital and tier 1 capital within certain limitations.

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 negatively impacting performance across many sectors.

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

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

On June 26, 2025, the U.S. Bureau of Economic Analysis released its third estimate of real gross domestic product (GDP) for the first quarter of 2025. Real GDP contracted at an annual rate of 0.5 percent, down from increases of 2.4 percent during the previous quarter and from 1.6 percent in the year-ago period. The deceleration in real GDP in the first quarter of 2025 primarily reflected an increase in imports, which are a subtraction in the calculation of GDP, and a decrease in government spending. These movements were partly offset by increases in investment and consumer spending. Within the Texas District, the first quarter 2025 annualized real GDP growth rates ranged from a decline of 2.1 percent in New Mexico to an increase of 1.0 percent in Alabama. Texas' real GDP contracted at an annual rate of 0.1 percent in the first quarter. In general, real GDP declined in three of the five Texas District states over the first quarter of 2025.

The Bureau of Labor Statistics announced on July 3, 2025, that the U.S. unemployment rate was 4.1 percent in June 2025, slightly down from 4.2 percent reached since March 2025 but higher than the year-ago rate of 4.0 percent. June 2025 state unemployment rates in the Texas District ranged from a low of 3.2 percent in Alabama to a high of 4.5 percent in Louisiana. The Texas unemployment rate marginally declined YOY from 4.1 percent to 4.0 percent in June 2025. Overall, the unemployment rates in the Texas District remain relatively stable.

In terms of relevant Texas District commodities, the quarterly average West Texas Intermediate (WTI) crude oil spot price decreased quarter over quarter (QOQ) by about 10.0 percent and YOY by more than 20.0 percent through June 2025. The Energy Information Administration's July 2025 Short Term Energy Outlook indicates that the WTI crude oil spot price will average about \$65 per barrel in 2025 and nearly \$55 per barrel in 2026. The crude oil price is expected to decline due to factors such as rising global oil inventories and reduced geopolitical tensions in the Middle East. The July 2025 edition of S&P Global Agricultural Commodity Price Watch estimated that U.S. average farm prices of key Texas District crops (e.g., cotton, corn, soybeans and wheat) were mixed in the second quarter of 2025. Average corn, soybeans and cotton farm prices increased QOQ by less than 3.0 percent while the wheat farm price is estimated to have remained steady during the second quarter of 2025. YOY, only the average farm price of corn is estimated to have increased in the second quarter of 2025. The average farm prices of soybeans and cotton experienced double digit YOY price decreases. Quarterly average cattle and broiler prices were estimated to have

increased QOQ and YOY through June 2025, as demand remains strong and supply is tight. However, barrows and gilts prices declined QOQ and YOY. Regarding dairy prices, the quarterly average farm-level milk price was estimated to have decreased by close to 10.0 percent QOQ and nearly 3.0 percent YOY. Weaker domestic demand, especially for fluid milk and cream products, and an export slowdown coupled with higher output (supply) associated with favorable weather in key dairy regions led to higher per-cow productivity and lower prices. In terms of lumber, the quarterly average front-month random length lumber futures price decreased QOQ through June 2025 but increased YOY by around 30 percent.

On June 30, 2025, the U.S. Department of Agriculture (USDA) released its 2025 Acreage report. Corn acreage is estimated to increase in four out of five Texas District states. Texas plants more than 50 percent of the Texas District's corn, and corn acreage in Texas is up by 7 percent in 2025. The Texas District's soybean planted area is estimated to be down by about 9 percent in 2025. Mississippi plants more than 50 percent of the soybeans in the Texas District, and the area planted in Mississippi is down by nearly 11 percent in 2025. The Texas District's wheat area planted is estimated to remain steady in 2025; however, area harvested is forecasted to decline by more than 25 percent, primarily in Texas. The cotton area planted in the Texas District states is estimated to decline by at least 15 percent except for the area planted in Texas that is estimated to decline by about 4 percent. Overall, estimates from the June 2025 Acreage report indicate that farmers are planting more corn but fewer soybeans, wheat, and cotton acres than last year. These estimates are derived via a USDA survey conducted from May 30, 2025 to June 16, 2025 and are subject to change throughout the season.

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

The 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 June 30, 2025 was \$48.5 million, a decrease of \$1.3 million, or 2.61 percent, over the same period of 2024. The decrease in net income was driven by an increase of \$11.6 million in the provision for credit losses on loans and an increase of \$4.3 million in noninterest expense, partially offset by an increase of \$12.5 million in net interest income and an increase of \$2.1 million in noninterest income.

Net income for the six months ended June 30, 2025 was \$100.0 million, an increase of \$1.3 million, or 1.33 percent, over the same period of 2024. The increase in net income was driven by an increase of \$22.4 million in net interest income and an increase of \$5.5 million in noninterest income, partially offset by an increase of \$22.3 million in the provision for credit losses on loans and an increase of \$4.3 million in noninterest expense.

Net Interest Income

Net interest income for the three months ended June 30, 2025, was \$100.0 million, an increase of \$12.5 million, or 14.23 percent, from the three months ended June 30, 2024. The increase in net interest income reflects the impact of a \$3.06 billion increase in the Bank's average interest earning assets and a 4 basis point increase in the net interest rate spread from 0.78 percent to 0.82 percent. The increase in the net interest rate spread reflects the impact of a 5 basis point decrease in the average rate paid on interest-bearing liabilities, partially offset by a 1 basis point decrease in the yield on average interest-earning assets. Net interest margin was 0.99 percent for the three months ended June 30, 2025, compared to 0.94 percent for the three months ended June 30, 2024.

Net interest income for the six months ended June 30, 2025, was \$195.6 million, an increase of \$22.4 million, or 12.94 percent, from the six months ended June 30, 2024. The increase in net interest income reflects the impact of a \$2.77 billion increase in the Bank's average interest earning assets and a 5 basis point increase in the net interest rate spread from 0.78 percent to 0.83 percent. The increase in the net interest rate spread reflects the impact of a 5 basis point increase in the yield on average interest-earning assets, while the average rate paid on interest-bearing liabilities was flat. Net interest margin was 0.99 percent for the six months ended June 30, 2025, compared to 0.94 percent for the six months ended June 30, 2024.

During the three months ended June 30, 2025 and June 30, 2024, the Bank reduced its interest expense by calling and replacing fixed-rate debt totaling \$640.0 million and \$100.0 million, respectively. As a result of this call activity, the Bank recognized concession expense of \$1.3 million and \$235 thousand during the three months ended June 30, 2025 and 2024, respectively.

During the six months ended June 30, 2025 and June 30, 2024, the Bank reduced its interest expense by calling and replacing fixed-rate debt totaling \$1.06 billion and \$210.0 million, respectively. As a result of this call activity, the Bank recognized concession expense of \$2.3 million and \$489 thousand during the six months ended June 30, 2025 and 2024, respectively.

Provision for Credit Losses on Loans

During the three months ended June 30, 2025, the Bank recorded provision for credit losses on loans of \$14.7 million compared to \$3.1 million in the same period of 2024. The provision for credit losses on loans for the three months ended June 30, 2025 reflects specific reserves for certain loans in the agribusiness and production and intermediate-term loan sectors.

During the six months ended June 30, 2025, the Bank recorded provision for credit losses on loans of \$29.4 million compared to \$7.1 million in the same period of 2024. The provision for credit losses on loans for the six months ended June 30, 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 and real estate mortgage loan sectors. Overall loan credit quality remained stable at 99.48 percent acceptable and special mention at June 30, 2025, compared to 99.63 percent at December 31, 2024.

Noninterest Income

Noninterest income for the three months ended June 30, 2025, was \$7.8 million, an increase of \$2.1 million, or 37.53 percent, from the same period of 2024. The increase compared to the prior year period was primarily attributable to the absence of losses on the valuations of certain Rural Business Investment Companies (RBICs) and loans held for sale within the Bank's loan participation portfolio that were recognized in the three months ended June 30, 2024. Additionally, the prior year

period benefited from the return of excess insurance funds from the Farm Credit System Insurance Corporation (FCSIC) of \$4.6 million.

Noninterest income for the six months ended June 30, 2025, was \$19.7 million, an increase of \$5.5 million, or 38.86 percent, from the same period of 2024. The increase compared to the prior year period was primarily attributable to lower losses on the valuations of certain RBICs and the absence of losses on loans held for sale within the Bank's loan participation portfolio that were recognized in the six months ended June 30, 2024. The increase for the six months ended June 30, 2025 was partially offset by a decrease in the return of excess insurance funds from the FCSIC of \$2.0 million.

Noninterest Expense

Noninterest expense for the three months ended June 30, 2025 was \$44.7 million, an increase of \$4.3 million, or 10.68 percent, for the same period of 2024. The increase was primarily driven by an increase in salaries and employee benefits of \$3.3 million and an increase in occupancy and equipment expenses of \$692 thousand.

Noninterest expense for the six months ended June 30, 2025 was \$85.9 million, an increase of \$4.3 million, or 5.33 percent, from the same period of 2024. The increase was primarily driven by an increase in salaries and employee benefits of \$4.3 million.

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. On July 10, 2025, the FCSIC board announced that the FCSIC premium on adjusted insured debt would remain unchanged at 10 basis points for the remainder of 2025. Additionally, the assessment of 10 basis points continued on nonaccrual loans and impaired investments. The premium rates for 2024 were the same as applied for 2025.

Key Results of Operations

	Annualized for the Six Months Ended June 30,	
	2025	2024
Return on average assets	0.50%	0.52%
Return on average shareholders' equity	10.28	10.87
Net interest margin	0.99	0.94
Charge-offs, net of recoveries, to average loans	0.14	0.07
Operating expenses as a percentage of net interest income and noninterest income	39.89	43.51
Operating expenses as a percentage of average earning assets	0.44	0.44

Other Comprehensive Income

Other comprehensive income 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:

	Six Months Ended June 30,	
	2025	2024
Change in net unrealized losses on AFS securities:		
Net change in unrealized losses on AFS securities	\$ 90,177	\$ (7,465)
Net change in unrealized losses on AFS securities	90,177	(7,465)
Change in postretirement benefit plans:		
Amortization of prior service credits and actuarial gains	—	(108)
Net change in postretirement benefit plans	—	(108)
Change in cash flow derivative instruments:		
Net change in unrealized gains on cash flow derivative instruments	(36,185)	31,359
Reclassification of losses (gains) recognized in interest expense	99	(120)
Net change in cash flow derivative instruments	(36,086)	31,239
Other comprehensive income	\$ 54,091	\$ 23,666

During the six months ended June 30, 2025, the Bank recognized other comprehensive income of \$54.1 million compared to other comprehensive income of \$23.7 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 a decrease in unrealized gains 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 June 30, 2025, was \$33.06 billion, an increase of \$1.23 billion, or 3.88 percent, compared to \$31.82 billion at December 31, 2024. The increase was due to an increase in the direct note receivables from District Associations and OFIs of \$861.1 million and an increase in the capital markets loan portfolio of \$373.4 million.

The capital markets loan portfolio at June 30, 2025 was \$9.56 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 production and intermediate term loan sector 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.

At June 30, 2025, the Bank did not have any loans held for sale compared to loans held for sale of \$8.0 million at December 31, 2024, which were included in other assets and carried at fair value. During the six months ended June 30, 2024, the Bank did not change the designation of any loans to held for sale. For the six months ended June 30, 2024, a loss of \$2.4 million was recognized, with the designation change to held for sale.

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. CPP loans held at June 30, 2025, totaled \$51.6 million and were included in loans on the Balance Sheet. The balance of the AMBS CPP was \$5.8 million at June 30, 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 \$157.6 million at June 30, 2025, and was included in loans on the Balance Sheet.

At June 30, 2025, and December 31, 2024, 99.48 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 June 30, 2025, and December 31, 2024:

	June 30, 2025	December 31, 2024	Change	
			\$	%
Nonaccrual loans	\$ 34,682	\$ 42,303	\$ (7,621)	(18.02)%
Accruing loans 90 days or more past due	—	—	—	—
Total	34,682	42,303	(7,621)	(18.02)
Other property owned	3,463	4,854	(1,391)	(28.66)
Total	\$ 38,145	\$ 47,157	\$ (9,012)	(19.11)%

Nonaccrual loans decreased during the six months ended June 30, 2025 due to repayments on a nonaccrual loan in the agribusiness loan sector, as well as charge-offs on a nonaccrual loan in the production and intermediate-term and real estate mortgage loan sectors. These decreases were partially offset by the transfer of three agribusiness loans of \$43.7 million to nonaccrual, with the establishment of specific reserves of \$11.2 million. The Bank had no accruing loans 90 days or more past due at June 30, 2025 and December 31, 2024. Other property owned (OPO) is held for sale and consists of real and personal property acquired through collection activities. At June 30, 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 June 30, 2025, and December 31, 2024, total nonperforming assets represented 0.12 percent and 0.15 percent of total loans and OPO, respectively.

At June 30, 2025, the Bank had an allowance for credit losses totaling \$46.8 million, with an allowance for credit losses on loans of \$40.1 million and an allowance for credit losses on unfunded commitments of \$6.7 million. The allowance for credit losses relates to the Bank's capital markets loan portfolio. The allowance for credit losses of \$46.8 million at June 30, 2025, equated to 14 basis points of total loans outstanding and 49 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 June 30, 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 122.62 percent at June 30, 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 six months ended June 30, 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 \$7.64 billion, or 18.55 percent, of total assets at June 30, 2025, compared to \$7.14 billion, or 18.07 percent, of total assets at December 31, 2024. At June 30, 2025, the Bank's cash balance was \$58.0 million, of which \$21.5 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 June 30, 2025, the Bank exceeded all applicable regulatory liquidity requirements and had 211 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:

	June 30, 2025		December 31, 2024	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Liquidity Portfolio:				
Agency-guaranteed debt	\$ 2,973	\$ 2,935	\$ 9,739	\$ 9,608
Certificates of deposit	400,000	400,105	250,000	250,084
Corporate debt	29,996	29,943	59,993	59,528
Federal agency collateralized mortgage-backed securities:				
GNMA	3,161,110	2,805,178	3,265,069	2,853,858
FNMA and FHLMC	2,953,972	2,867,526	2,649,128	2,529,593
U.S. Treasury securities	820,481	820,924	824,071	824,223
Asset-backed securities	193,981	194,397	109,494	109,037
Total liquidity investments	7,562,513	7,121,008	7,167,494	6,635,931
Other Investments:				
Agricultural mortgage-backed securities	6,345	5,774	7,243	6,553
Total investments	\$ 7,568,858	\$ 7,126,782	\$ 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 June 30, 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 June 30, 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 June 30, 2025 and December 31, 2024.

Capital Resources

On July 8, 2025, the Bank issued \$350.0 million of Class B perpetual non-cumulative subordinated preferred stock, Series 6 (Class B-6), representing 350,000 shares at \$1,000 per share par value, for net proceeds of \$346.5 million, with estimated issuance costs of \$3.5 million.

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. This resulted in an increase in capital stock of \$153.7 million for the Bank's shareholders' equity in the first quarter of 2025.

On June 30, 2025, the Bank's total shareholders' equity totaled \$2.06 billion and consisted of \$750.0 million of Class B noncumulative subordinated perpetual preferred stock, \$676.2 million of capital stock, \$1.05 billion of retained earnings and \$412.1 million of accumulated other comprehensive losses. Shareholders' equity at June 30, 2025 increased by \$282.5 million from year-end 2024 due to net income of \$100.0 million, a decrease in other accumulated loss of \$54.1 million, and the net issuance of capital stock of \$153.3 million, partially offset by preferred stock dividends of \$24.7 million.

FCA regulations require the Bank to maintain minimum ratios, including capital conservation buffers, for various regulatory capital ratios. At June 30, 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:

	June 30, 2025	December 31, 2024	Total Regulatory Requirements Including Capital Conservation Buffers
Permanent capital ratio	13.22 %	13.07 %	7.00 %
Common equity tier 1 ratio	8.95	8.58	7.00
Tier 1 capital ratio	13.18	13.04	8.50
Total capital ratio	13.49	13.30	10.50
Tier 1 leverage ratio	5.73	5.64	5.00
UREE leverage ratio	1.96	2.18	1.50

RATING AGENCY ACTIONS

On May 16, 2025, Moody Ratings (Moody's) downgraded the U.S. sovereign's long-term issuer and senior unsecured ratings to Aa1 from Aaa and changed the outlook to stable from negative. On May 26, 2025, Moody's downgraded the System's long-term senior unsecured debt ratings to Aa1 from Aaa and changed the outlook to stable from negative. Additionally on May 19, 2025, the Bank's issuer rating was affirmed at Aa3, with a stable outlook, and the short-term debt rating was affirmed at P-1.

As a government-sponsored enterprise, the System and the System banks benefit from implicit government support. Although the ratings are directly linked to the U.S. sovereign rating, the presence of joint and several liability for systemwide debt among the System banks provides them with a strong incentive to monitor the creditworthiness of their peers, therefore limiting the impact from the downgrade of U.S. government ratings.

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 \$1.53 billion and \$1.50 billion at June 30, 2025 and December 31, 2024, respectively. At June 30, 2025, cleared counterparties' net credit asset exposure to the Bank was \$31.8 million, compared to \$34.5 million at December 31, 2024. At June 30, 2025, the notional amount of cleared cash flow hedges was \$1.45 billion with associated posted initial margin of \$31.3 million. At June 30, 2025, the Bank had received cash collateral from the counterparty of \$31.4 million and had a derivative asset value of \$30.2 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 June 30, 2025, the Bank had a net cash collateral asset position of \$150 thousand compared to a \$34.2 million net cash collateral asset position at December 31, 2024.

REGULATORY MATTERS

At June 30, 2025, there were no District Associations operating under written agreements with the Farm Credit Administration (FCA).

In the prevailing deregulatory climate, the FCA did not issue any new rules, regulations, bookletters, or informational memos during the second quarter of 2025.

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 June 30, 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

August 8, 2025

Controls and Procedures

As of June 30, 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⁽¹⁾ 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⁽²⁾ that occurred during the quarter ended June 30, 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

August 8, 2025

⁽¹⁾ 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.

⁽²⁾ 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

August 8, 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

August 8, 2025

Balance Sheets

(Unaudited, dollars in thousands)

	June 30, 2025	December 31, 2024
Assets		
Cash	\$ 58,024	\$ 39,640
Federal funds sold and overnight investments	455,858	455,323
Investment securities	7,126,782	6,642,484
Loans	33,055,406	31,820,946
Less allowance for credit losses on loans	40,110	34,597
Net loans	33,015,296	31,786,349
Accrued interest receivable	161,754	155,360
Premises and equipment, net	97,723	105,462
Other assets	263,146	311,471
Total assets	\$ 41,178,583	\$ 39,496,089
Liabilities and shareholders' equity		
Liabilities		
Bonds and notes, net	\$ 38,713,839	\$ 37,158,770
Accrued interest payable	251,954	237,027
Allowance for credit losses on unfunded commitments	6,663	5,270
Preferred stock dividends payable	12,350	12,350
Patronage payable	—	147,854
Other liabilities	131,329	154,827
Total liabilities	\$ 39,116,135	\$ 37,716,098
Commitments and contingencies (Note 5)		
Shareholders' equity		
Preferred stock	\$ 750,000	\$ 750,000
Capital stock	676,200	522,918
Allocated retained earnings	108,955	109,027
Unallocated retained earnings	939,349	864,193
Accumulated other comprehensive loss	(412,056)	(466,147)
Total shareholders' equity	2,062,448	1,779,991
Total liabilities and shareholders' equity	\$ 41,178,583	\$ 39,496,089

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

Statements of Comprehensive Income

(Unaudited, dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Interest income				
Loans	\$ 379,611	\$ 345,997	\$ 742,389	\$ 678,508
Investment securities	69,263	67,534	133,834	129,846
Total interest income	448,874	413,531	876,223	808,354
Interest expense				
Bonds and notes	348,841	325,960	680,642	635,179
Net interest income	100,033	87,571	195,581	173,175
Provision for credit losses on loans	14,693	3,116	29,363	7,113
Net interest income after provision for credit losses on loans	85,340	84,455	166,218	166,062
Noninterest income				
Patronage income	3,309	3,262	7,148	7,455
Fees for services to District Associations	1,405	1,740	4,780	4,574
Fees for loan-related services	2,958	2,546	5,891	4,961
Refunds from Farm Credit System Insurance Corporation (FCSIC)	—	4,578	2,616	4,578
Gain (loss) on sale of loans	130	(2,403)	131	(3,024)
Gain (loss) on Rural Business Investment Companies (RBICs)	31	(3,307)	(598)	(3,048)
Other income (loss), net	(39)	(749)	(311)	(1,340)
Total noninterest income	7,794	5,667	19,657	14,156
Noninterest expense				
Salaries and employee benefits	19,956	16,617	36,539	32,241
Occupancy and equipment	9,831	9,139	21,001	21,314
FCSIC premiums	3,216	3,010	6,219	6,003
Other components of net periodic postretirement benefit cost	142	80	284	159
Other operating expenses	11,515	11,505	21,807	21,787
Total noninterest expense	44,660	40,351	85,850	81,504
Net income	48,474	49,771	100,025	98,714
Other comprehensive income				
Change in postretirement benefit plans	—	(54)	—	(108)
Change in unrealized losses on investments	29,423	7,923	90,177	(7,465)
Change in cash flow derivative instruments	(13,189)	4,897	(36,086)	31,239
Total other comprehensive income	16,234	12,766	54,091	23,666
Comprehensive Income	\$ 64,708	\$ 62,537	\$ 154,116	\$ 122,380

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	—	—	—	98,714	—	98,714
Other comprehensive income	—	—	—	—	23,666	23,666
Capital stock and allocated retained earnings issued		278				278
Capital stock and allocated retained earnings retired	—	(2,542)	—	—	—	(2,542)
Preferred stock issued	300,000	—	—	—	—	300,000
Issuance costs on preferred stock	—	—	—	(3,221)	—	(3,221)
Preferred stock dividends	—	—	—	(35,260)	—	(35,260)
Patronage distributions						
Cash adjustment	—	—	—	62	—	62
Shareholders' equity	—	—	36	(36)	—	—
Balance at June 30, 2024	<u>\$ 1,050,000</u>	<u>\$ 493,580</u>	<u>\$ 101,825</u>	<u>\$ 920,831</u>	<u>\$ (497,845)</u>	<u>\$ 2,068,391</u>
Balance at December 31, 2024	\$ 750,000	\$ 522,918	\$ 109,027	\$ 864,193	\$ (466,147)	\$ 1,779,991
Net income	—	—	—	100,025	—	100,025
Other comprehensive income	—	—	—	—	54,091	54,091
Capital stock and allocated retained earnings issued	—	153,716	—	—	—	153,716
Capital stock and allocated retained earnings retired	—	(434)	—	—	—	(434)
Preferred stock dividends	—	—	—	(24,700)	—	(24,700)
Patronage distributions						
Cash	—	—	—	(241)	—	(241)
Shareholders' equity	—	—	(72)	72	—	—
Balance at June 30, 2025	<u>\$ 750,000</u>	<u>\$ 676,200</u>	<u>\$ 108,955</u>	<u>\$ 939,349</u>	<u>\$ (412,056)</u>	<u>\$ 2,062,448</u>

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

Statements of Cash Flows

(Unaudited, dollars in thousands)

	Six Months Ended June 30,	
	2025	2024
Cash Flows From Operating Activities		
Net income	\$ 100,025	\$ 98,714
Reconciliation of net income to net cash provided by operating activities:		
Provision for credit losses on loans	29,363	7,113
Depreciation and amortization on premises and equipment	8,623	9,572
Premium amortization on loans	(4,360)	(3,225)
Amortization and accretion on debt instruments	(6,931)	(13,569)
Discount accretion on investments	(17)	(2,751)
(Gains) losses on sales of loans	(131)	3,024
Allocated equity patronage from System bank distributed	(3,401)	(3,591)
Loss (gain) on disposals of premises and equipment	40	(2)
Increase in accrued interest receivable	(6,394)	(11,480)
Decrease (increase) in other assets, net	50,811	(23,453)
Increase in accrued interest payable	14,927	34,481
Decrease in other liabilities, net	(24,632)	(54,993)
Net cash provided by operating activities	157,923	39,840
Cash Flows From Investing Activities		
Net increase in federal funds sold and repurchase agreements	(535)	(26,633)
Investment securities		
Purchases	(1,261,510)	(1,031,694)
Proceeds from maturities, calls and prepayments	867,406	784,661
Increase in loans, net	(1,342,921)	(666,332)
Proceeds from sales of loans	88,753	24,146
Proceeds from disposal of other property owned	1,391	10,435
Proceeds from sales of premises and equipment	56	14
Expenditures for premises and equipment	(980)	(4,475)
Decrease in equity investments	374	1,194
Net cash used in investing activities	(1,647,966)	(908,684)
Cash Flows From Financing Activities		
Bonds and notes issued	10,680,000	10,191,000
Bonds and notes retired	(9,118,000)	(9,595,000)
Decrease in cash collateral posted with a counterparty	1,526	7,151
(Decrease) increase in cash collateral posted by a counterparty	(35,586)	32,065
Preferred stock issued	—	300,000
Issuance costs on preferred stock	—	(3,221)
Capital stock issued	153,716	278
Capital stock retired and allocated retained earnings distributed	(434)	(2,542)
Cash dividends on preferred stock	(24,700)	(27,518)
Cash patronage distributions paid	(148,095)	(50,777)
Net cash provided by financing activities	1,508,427	851,436
Net increase (decrease) in cash	18,384	(17,408)
Cash at beginning of year	39,640	78,170
Cash at end of quarter	\$ 58,024	\$ 60,762
Supplemental Schedule of Noncash Investing and Financing Activities		
Loans transferred to other property owned	\$ —	\$ 18,071
Net decrease (increase) in unrealized losses on investment securities	90,177	(7,465)
Preferred stock dividends payable	12,350	21,540
Patronage distribution stock adjustment	72	36
Supplemental Information		
Interest paid	\$ 665,715	\$ 600,698

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 June 30, 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.

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 Financial Accounting Standards Board (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 U.S. 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 Bank adopted this guidance in its 2024 Annual Report and the adoption 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 June 30, 2025, and December 31, 2024, is included in the following tables:

June 30, 2025	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Liquidity Portfolio:					
Agency-guaranteed debt	\$ 2,973	\$ —	\$ (38)	\$ 2,935	2.67%
Certificates of deposit	400,000	121	(16)	400,105	4.73
Corporate debt	29,996	255	(308)	29,943	2.85
Federal agency collateralized mortgage-backed securities:					
GNMA	3,161,110	3,463	(359,395)	2,805,178	2.58
FNMA and FHLMC	2,953,972	7,109	(93,555)	2,867,526	3.99
U.S. Treasury securities	820,481	590	(147)	820,924	4.26
Asset-backed securities	193,981	524	(108)	194,397	4.67
Total liquidity investments	7,562,513	12,062	(453,567)	7,121,008	3.48
Other Investments:					
Agricultural mortgage-backed securities	6,345	—	(571)	5,774	5.55
Total investments	<u>\$ 7,568,858</u>	<u>\$ 12,062</u>	<u>\$ (454,138)</u>	<u>\$ 7,126,782</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 \$19.5 million and \$20.7 million as of June 30, 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 June 30, 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 June 30, 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	\$ 1,757	\$ 1,178	\$ —	\$ —	\$ 2,935
Certificates of deposit	350,121	49,984	—	—	400,105
Corporate debt	14,688	15,255	—	—	29,943
Federal agency collateralized mortgage-backed securities:					
GNMA	—	8,821	3,019	2,793,338	2,805,178
FNMA and FHLMC	14,752	855,334	651,812	1,345,628	2,867,526
U.S. Treasury securities	524,691	296,233	—	—	820,924
Asset-backed securities	—	36,568	111,056	46,773	194,397
Total fair value	\$ 906,009	\$ 1,263,373	\$ 765,887	\$ 4,185,739	\$ 7,121,008
Total amortized cost	\$ 906,188	\$ 1,262,651	\$ 768,205	\$ 4,625,469	\$ 7,562,513
Weighted average yield	4.40%	4.51%	4.73%	2.82%	3.48%
Other Investments:					
Fair value of agricultural mortgage-backed securities	\$ 124	\$ 5,650	\$ —	\$ —	\$ 5,774
Total amortized cost	\$ 125	\$ 6,220	\$ —	\$ —	\$ 6,345
Weighted average yield	4.30%	5.58%	—%	—%	5.55%

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 June 30, 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	\$ —	\$ —	\$ 2,740	\$ (38)	\$ 2,740	\$ (38)
Certificates of deposit	49,984	(16)	—	—	49,984	(16)
Corporate debt	—	—	14,689	(308)	14,689	(308)
Federal agency collateralized mortgage-backed securities:						
GNMA	182,884	(521)	2,119,580	(358,874)	2,302,464	(359,395)
FNMA and FHLMC	324,461	(451)	1,348,212	(93,104)	1,672,673	(93,555)
U.S. Treasury securities	374,357	(147)	—	—	374,357	(147)
Asset-backed securities	18,491	(26)	12,759	(82)	31,250	(108)
Total liquidity investments	950,177	(1,161)	3,497,980	(452,406)	4,448,157	(453,567)
Other Investments:						
Agricultural mortgage-backed securities	—	—	5,774	(571)	5,774	(571)
Total investments	\$ 950,177	\$ (1,161)	\$ 3,503,754	\$ (452,977)	\$ 4,453,931	\$ (454,138)

At June 30, 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 June 30, 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 June 30, 2025 and December 31, 2024.

NOTE 3 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Loans

Loans comprised the following categories at:

	June 30, 2025	December 31, 2024
Direct notes receivable from District Associations and OFIs	\$ 23,499,831	\$ 22,638,740
Participations purchased	9,555,575	9,182,206
Total	<u>\$ 33,055,406</u>	<u>\$ 31,820,946</u>

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

	June 30, 2025	December 31, 2024
Direct notes receivable from District Associations	\$ 23,437,358	\$ 22,582,343
Real estate mortgage	1,273,868	1,247,497
Production and intermediate-term	1,223,883	1,342,429
Agribusiness		
Loans to cooperatives	483,889	431,354
Processing and marketing	3,509,984	3,383,019
Farm-related business	281,785	220,916
Communications	727,059	731,090
Energy (rural utilities)	1,744,015	1,444,696
Water and waste disposal	183,873	240,859
Rural home	1,052	1,087
International	120,560	133,218
Mission-related	1,885	1,986
Lease receivables	3,722	4,055
Loans to OFIs	62,473	56,397
Total	<u>\$ 33,055,406</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 June 30, 2025:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 1,243,620	\$ 183,381	\$ 48,000	\$ —	\$ 1,291,620	\$ 183,381
Production and intermediate-term	3,306,629	2,179,233	10,107	—	3,316,736	2,179,233
Agribusiness	3,046,298	1,002,828	106,656	—	3,152,954	1,002,828
Communications	908,690	181,137	—	—	908,690	181,137
Energy (rural utilities)	1,865,513	121,377	—	—	1,865,513	121,377
Water and waste disposal	237,886	53,903	—	—	237,886	53,903
Rural home	1,052	—	—	—	1,052	—
International	217,852	97,204	—	—	217,852	97,204
Mission-related	1,885	—	—	—	1,885	—
Lease receivables	4,654	933	—	—	4,654	933
Direct notes receivable from District Associations	—	4,350,000	—	—	—	4,350,000
Total	\$ 10,834,079	\$ 8,169,996	\$ 164,763	\$ —	\$ 10,998,842	\$ 8,169,996

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 June 30, 2025, totaled \$51.6 million and were included in loans on the Balance Sheet. The balance of the AMBS CPP was \$5.8 million at June 30, 2025, and was included in investment securities on the Balance Sheet.

The Bank has purchased loans from District Associations in Non-Capitalized Participation Pool (NCPP) 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. The NCPP loans balance was \$157.6 million at June 30, 2025, and was included in loans on the Balance Sheet.

During the six months ended June 30, 2025, the Bank sold seventeen loans with an amortized cost of \$88.6 million. Gains on loans sold was \$131 thousand for the six months ended June 30, 2025 compared to losses of \$3.0 million for the six months ended June 30, 2024. There were no loans held for sale at June 30, 2025, compared to \$8.0 million at December 31, 2024.

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:

	June 30, 2025	December 31, 2024
Acceptable	98.69 %	98.72 %
OAEM	0.79	0.91
Substandard	0.50	0.35
Doubtful	0.02	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 June 30, 2025:

Term Loans by Origination Year									
	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Real estate mortgage									
Acceptable	\$ 204,369	\$ 71,713	\$ 94,878	\$ 84,825	\$ 168,444	\$ 332,086	\$ 175,667	\$ 2,006	\$ 1,133,988
OAEM	1,645	2,128	11,906	35,929	942	3,369	29,501	—	85,420
Substandard	—	—	—	—	402	48,001	1,652	3,513	53,568
Doubtful	—	—	—	—	—	892	—	—	892
Total	\$ 206,014	\$ 73,841	\$ 106,784	\$ 120,754	\$ 169,788	\$ 384,348	\$ 206,820	\$ 5,519	\$ 1,273,868
Gross charge-offs for the six months ended June 30, 2025	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,835	\$ —	\$ —	\$ 2,835
Production and intermediate-term									
Acceptable	\$ 18,707	\$ 50,320	\$ 44,799	\$ 85,356	\$ 23,613	\$ 94,289	\$ 878,741	\$ —	\$ 1,195,825
OAEM	6,079	317	796	—	493	1,699	10,046	—	19,430
Substandard	—	—	1,600	—	—	—	766	—	2,366
Doubtful	—	—	—	88	—	8	6,166	—	6,262
Total	\$ 24,786	\$ 50,637	\$ 47,195	\$ 85,444	\$ 24,106	\$ 95,996	\$ 895,719	\$ —	\$ 1,223,883
Gross charge-offs for the six months ended June 30, 2025	\$ —	\$ —	\$ —	\$ 279	\$ —	\$ 26	\$ 19,577	\$ —	\$ 19,882
Agribusiness									
Acceptable	\$ 421,311	\$ 705,357	\$ 416,305	\$ 626,932	\$ 286,687	\$ 448,646	\$ 1,145,778	\$ 13,286	\$ 4,064,302
OAEM	11,041	28,407	1,663	39,199	11,236	5,642	10,735	—	107,923
Substandard	3,728	10,564	1,046	7,570	19,194	15,756	45,290	285	103,433
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ 436,080	\$ 744,328	\$ 419,014	\$ 673,701	\$ 317,117	\$ 470,044	\$ 1,201,803	\$ 13,571	\$ 4,275,658
Gross charge-offs for the six months ended June 30, 2025	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Communications									
Acceptable	\$ 85,823	\$ 202,828	\$ 126,428	\$ 73,967	\$ 126,565	\$ 72,344	\$ 25,128	\$ —	\$ 713,083
OAEM	—	3,251	—	—	—	10,725	—	—	13,976
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ 85,823	\$ 206,079	\$ 126,428	\$ 73,967	\$ 126,565	\$ 83,069	\$ 25,128	\$ —	\$ 727,059
Gross charge-offs for the six months ended June 30, 2025	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Energy and water/waste disposal									
Acceptable	\$ 312,786	\$ 398,084	\$ 210,901	\$ 228,107	\$ 57,778	\$ 476,396	\$ 169,248	\$ 35,231	\$ 1,888,531
OAEM	—	—	19,130	8,375	—	5,782	294	—	33,581
Substandard	—	—	—	4,224	—	1,552	—	—	5,776
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ 312,786	\$ 398,084	\$ 230,031	\$ 240,706	\$ 57,778	\$ 483,730	\$ 169,542	\$ 35,231	\$ 1,927,888
Gross charge-offs for the six months ended June 30, 2025	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Rural home									
Acceptable	\$ —	\$ —	\$ —	\$ 243	\$ —	\$ 565	\$ —	\$ —	\$ 808
OAEM	—	—	—	—	—	244	—	—	244
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ 243	\$ —	\$ 809	\$ —	\$ —	\$ 1,052
Gross charge-offs for the six months ended June 30, 2025	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

	Term Loans by Origination Year							Revolving Loans Converted to Term Loans	
	2025	2024	2023	2022	2021	Prior	Revolving Loans		Total
International									
Acceptable	\$ —	\$ 15,040	\$ 86,687	\$ —	\$ —	\$ —	\$ 18,833	\$ —	\$ 120,560
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ 15,040</u>	<u>\$ 86,687</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 18,833</u>	<u>\$ —</u>	<u>\$ 120,560</u>
Gross charge-offs for the six months ended June 30, 2025									
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Mission-related									
Acceptable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,885	\$ —	\$ —	\$ 1,885
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,885</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,885</u>
Gross charge-offs for the six months ended June 30, 2025									
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Lease receivables									
Acceptable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,722	\$ —	\$ —	\$ 3,722
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,722</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,722</u>
Gross charge-offs for the six months ended June 30, 2025									
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Direct notes to District Associations									
Acceptable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 23,437,358	\$ —	\$ 23,437,358
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 23,437,358</u>	<u>\$ —</u>	<u>\$ 23,437,358</u>
Gross charge-offs for the six months ended June 30, 2025									
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Loans to other financing institutions									
Acceptable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 62,473	\$ —	\$ 62,473
OAEM	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 62,473</u>	<u>\$ —</u>	<u>\$ 62,473</u>
Gross charge-offs for the six months ended June 30, 2025									
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total loans									
Acceptable	\$ 1,042,996	\$ 1,443,342	\$ 979,998	\$ 1,099,430	\$ 663,087	\$ 1,429,933	\$ 25,913,226	\$ 50,523	\$ 32,622,535
OAEM	18,765	34,103	33,495	83,503	12,671	27,461	50,576	—	260,574
Substandard	3,728	10,564	2,646	11,794	19,596	65,309	47,708	3,798	165,143
Doubtful	—	—	—	88	—	900	6,166	—	7,154
Total	<u>\$ 1,065,489</u>	<u>\$ 1,488,009</u>	<u>\$ 1,016,139</u>	<u>\$ 1,194,815</u>	<u>\$ 695,354</u>	<u>\$ 1,523,603</u>	<u>\$ 26,017,676</u>	<u>\$ 54,321</u>	<u>\$ 33,055,406</u>
Gross charge-offs for the six months ended June 30, 2025									
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 279</u>	<u>\$ —</u>	<u>\$ 2,861</u>	<u>\$ 19,577</u>	<u>\$ —</u>	<u>\$ 22,717</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 Converted to Term Loans	
	2024	2023	2022	2021	2020	Prior	Revolving Loans		Total
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 Converted to Term Loans	
	2024	2023	2022	2021	2020	Prior	Revolving Loans		Total
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 \$134.3 million and \$127.0 million at June 30, 2025, and December 31, 2024, respectively, has been excluded from the amortized cost of loans and is reported separately in the Balance Sheet. During the three and six months ended June 30, 2025, the Bank reversed \$204 thousand and \$325 thousand in accrued interest receivable against interest income, respectively. During both the three and six months ended June 30, 2024, the Bank reversed \$122 thousand in 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.

	June 30, 2025	December 31, 2024
Nonaccrual loans:		
Real estate mortgage	\$ 892	\$ 4,145
Production and intermediate-term	6,262	30,537
Agribusiness	25,976	5,958
Energy and water/waste disposal	1,552	1,663
Total nonaccrual loans	34,682	42,303
Total accruing loans 90 days or more past due	—	—
Other property owned	3,463	4,854
Total nonperforming assets	\$ 38,145	\$ 47,157
Nonaccrual loans as a percentage of total loans	0.10 %	0.13 %
Nonperforming assets as a percentage of total loans and other property owned	0.12	0.15
Nonperforming assets as a percentage of capital	1.85	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 June 30, 2025			Interest Income Recognized for the Three Months Ended June 30, 2025	Interest Income Recognized for the Six Months Ended June 30, 2025
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total		
Nonaccrual loans:					
Real estate mortgage	\$ —	\$ 892	\$ 892	\$ —	\$ —
Production and intermediate-term	—	6,262	6,262	—	—
Agribusiness	25,976	—	25,976	50	50
Energy and water/waste disposal	1,552	—	1,552	—	—
Total	\$ 27,528	\$ 7,154	\$ 34,682	\$ 50	\$ 50

	Balance at December 31, 2024			Interest Income Recognized for the Three Months Ended June 30, 2024	Interest Income Recognized for the Six Months Ended June 30, 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 June 30, 2025, the Bank had specific reserves included in the allowance for credit losses of \$11.9 million, associated with the nonaccrual loan balance of \$27.5 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:

June 30, 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	\$ 66,376	\$ —	\$ 66,376	\$ 1,207,492	\$ 1,273,868	\$ —
Production and intermediate-term	1,600	550	2,150	1,221,733	1,223,883	—
Agribusiness	—	—	—	4,275,658	4,275,658	—
Energy & water/waste disposal	—	—	—	1,927,888	1,927,888	—
Rural home	—	—	—	1,052	1,052	—
Lease receivables	—	—	—	3,722	3,722	—
Communications	—	—	—	727,059	727,059	—
Direct notes to District Associations	—	—	—	23,437,358	23,437,358	—
Loans to OFIs	—	—	—	62,473	62,473	—
International	—	—	—	120,560	120,560	—
Mission-related	—	—	—	1,885	1,885	—
Total	\$ 67,976	\$ 550	\$ 68,526	\$ 32,986,880	\$ 33,055,406	\$ —

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.

During the three and six months ended June 30, 2025, the Bank modified a loan to a borrower experiencing financial difficulty in the agribusiness sector with an amortized cost of \$3.3 million and accrued interest receivable of \$29 thousand. The term extension added a weighted average 11.97 months to the life of the loan.

During the three months ended June 30, 2024, the Bank modified a loan to a borrower experiencing financial difficulty in the agribusiness sector with an amortized cost of \$19.9 million and accrued interest receivable of \$95 thousand. The payment deferral added a weighted average 3.87 months to the life of the loan.

For loan modifications granted to borrowers experiencing financial difficulty during the six months ended June 30, 2024, the following table shows the amortized cost of outstanding balances as reflected in our Balance Sheet as of June 30, 2024, disaggregated by loan type and type of modification granted:

Six Months Ended June 30, 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	—	40,256	11,629	51,885		1.37
Energy & water/waste disposal	—	2,220	—	2,220		0.13
Total	\$ 2,014	\$ 42,476	\$ 11,629	\$ 56,119		0.19

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during the six months ended June 30, 2024, totaled \$659 thousand.

Additional commitments to lend to borrowers experiencing financial difficulty whose loans were modified during the six months ended June 30, 2025 and June 30, 2024, totaled \$1.2 million and \$24.5 million, respectively.

The following tables describe the financial effects of the modifications made to borrowers experiencing financial difficulty during the six months ended June 30, 2024:

Financial Effect - Term Extension	
Six Months Ended June 30, 2024	
Production and intermediate-term	Added a weighted average of 0.50 months to the life of the loans
Financial Effect - Payment Deferral	
Six Months Ended June 30, 2024	
Agribusiness	Added a weighted average of 12.36 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	
Six Months Ended June 30, 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 and six months ended June 30, 2025, and June 30, 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 \$29.1 million in agribusiness loans that were modified in the twelve months prior to June 30, 2025, all of which were current in all required payments.

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to June 30, 2024:

	Payment Status of Loans Modified in the Past 12 Months			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Agribusiness	\$ 29,611	\$ —	\$ 15,750	\$ 45,361
Energy & water/waste disposal	5,387	—	—	5,387
Total	\$ 34,998	\$ —	\$ 15,750	\$ 50,748

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 and six months ended June 30, 2025 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 March 31, 2025	\$ 3,672	\$ 19,872	\$ 18,356	\$ 1,747	\$ 4,297	\$ 2	\$ 227	\$ 5	\$ —	\$ —	\$ —	\$ 48,178
Charge-offs	(2,835)	(19,882)	—	—	—	—	—	—	—	—	—	(22,717)
Recoveries	—	—	1	—	—	—	—	—	—	—	—	1
Provision for credit losses on loans (credit loss reversal)	3,814	1,583	9,540	26	(285)	—	(29)	(1)	—	—	—	14,648
Balance at June 30, 2025	\$ 4,651	\$ 1,573	\$ 27,897	\$ 1,773	\$ 4,012	\$ 2	\$ 198	\$ 4	\$ —	\$ —	\$ —	\$ 40,110
Allowance for credit losses on unfunded commitments:												
Balance at March 31, 2025	\$ 638	\$ 528	\$ 3,264	\$ 227	\$ 1,937	\$ —	\$ 24	\$ —	\$ —	\$ —	\$ —	\$ 6,618
Provision for credit losses (credit loss reversal)	—	(28)	148	40	(130)	—	15	—	—	—	—	45
Balance at June 30, 2025	\$ 638	\$ 500	\$ 3,412	\$ 267	\$ 1,807	\$ —	\$ 39	\$ —	\$ —	\$ —	\$ —	\$ 6,663

	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	(2,835)	(19,882)	—	—	—	—	—	—	—	—	—	(22,717)
Recoveries	—	—	260	—	—	—	—	—	—	—	—	260
Provision for credit losses on loans (credit loss reversal)	3,651	10,433	13,049	140	740	—	(41)	(2)	—	—	—	27,970
Balance at June 30, 2025	\$ 4,651	\$ 1,573	\$ 27,897	\$ 1,773	\$ 4,012	\$ 2	\$ 198	\$ 4	\$ —	\$ —	\$ —	\$ 40,110
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 (credit loss reversal)	(139)	(8)	429	110	989	—	12	—	—	—	—	1,393
Balance at June 30, 2025	\$ 638	\$ 500	\$ 3,412	\$ 267	\$ 1,807	\$ —	\$ 39	\$ —	\$ —	\$ —	\$ —	\$ 6,663

A summary of changes in the allowance for credit losses by portfolio segment for the three and six months ended June 30, 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 March 31, 2024	\$ 2,330	\$ 11,897	\$ 20,972	\$ 1,659	\$ 4,743	\$ 3	\$ 108	\$ 7	\$ 2	\$ —	\$ —	\$ 41,721
Charge-offs	—	(4,521)	(6,040)	—	—	—	—	—	—	—	—	(10,561)
Recoveries	—	—	—	—	—	—	—	107	—	—	—	107
Provision for credit losses on loans (credit loss reversal)	510	(3,960)	7,771	(7)	(237)	(1)	(9)	(108)	—	—	—	3,959
Balance at June 30, 2024	\$ 2,840	\$ 3,416	\$ 22,703	\$ 1,652	\$ 4,506	\$ 2	\$ 99	\$ 6	\$ 2	\$ —	\$ —	\$ 35,226
Allowance for credit losses on unfunded commitments:												
Balance at March 31, 2024	\$ 167	\$ 343	\$ 3,836	\$ 118	\$ 699	\$ —	\$ 31	\$ —	\$ —	\$ —	\$ —	\$ 5,194
Provision for credit losses (credit loss reversal)	211	89	(1,081)	(22)	(36)	—	(4)	—	—	—	—	(843)
Balance at June 30, 2024	\$ 378	\$ 432	\$ 2,755	\$ 96	\$ 663	\$ —	\$ 27	\$ —	\$ —	\$ —	\$ —	\$ 4,351

	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	—	(4,521)	(6,040)	—	—	—	—	—	—	—	—	(10,561)
Recoveries	—	—	—	—	—	—	—	107	—	—	—	107
Provision for credit losses on loans (credit loss reversal)	840	(2,959)	9,340	289	366	(1)	37	(107)	2	—	—	7,807
Balance at June 30, 2024	\$ 2,840	\$ 3,416	\$ 22,703	\$ 1,652	\$ 4,506	\$ 2	\$ 99	\$ 6	\$ 2	\$ —	\$ —	\$ 35,226
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 (credit loss reversal)	185	175	(988)	(32)	(27)	—	27	(34)	—	—	—	(694)
Balance at June 30, 2024	\$ 378	\$ 432	\$ 2,755	\$ 96	\$ 663	\$ —	\$ 27	\$ —	\$ —	\$ —	\$ —	\$ 4,351

Discussion of Changes in Allowance for Credit Losses

The allowance for credit losses on loans as of June 30, 2025, was \$40.1 million, reflecting an increase of \$5.5 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 agribusiness and production and intermediate-term loan sectors, offset by charge-offs on loans in the production and intermediate-term and real estate mortgage 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 June 30, 2025, estimate for the allowance for credit losses were based on the following: a baseline scenario, which represents a relatively stable economic environment; a downside scenario reflecting an economic recession during the forecast period; and an upside scenario that considers the potential for economic improvement relative to the baseline scenario. The economic 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 \$1.2 million and \$2.5 million for the three and six months ended June 30, 2025, respectively. For the three and six months ended June 30, 2024, lease expenses totaled \$1.0 million and \$2.3 million, respectively.

Other information related to leases includes:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows for operating leases	\$ 882	\$ 739	\$ 1,782	\$ 1,477

At June 30, 2025, the weighted-average remaining lease term for the building, copier and postage machine leases was 9.56 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 June 30, 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	1,534
Lease liability	<u>\$ 36,711</u>

The lease expense for leases with terms of 12 months or less was \$6 thousand and \$8 thousand for the three and six months ended June 30, 2025, respectively, compared with \$10 thousand and \$22 thousand for the three and six months ended June 30, 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 June 30, 2025, were approximately \$458.95 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 June 30, 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:				
Federal funds sold and other overnight funds	\$ 455,858	\$ —	\$ 455,858	\$ —
Available-for-sale investments				
Agency-guaranteed debt	2,935	—	2,935	—
Certificates of deposit	400,105	—	350,121	49,984
Corporate debt	29,943	—	29,943	—
Mortgage-backed securities	5,672,704	—	5,672,704	—
U.S. Treasury securities	820,924	—	820,924	—
Asset-backed securities	194,397	—	194,397	—
Agricultural mortgage-backed securities	5,774	—	—	5,774
Loans held for sale	—	—	—	—
Derivative assets	(1,279)	—	(1,279)	—
Assets held in nonqualified benefit trusts	2,713	2,713	—	—
Total assets	\$ 7,584,074	\$ 2,713	\$ 7,525,603	\$ 55,758
Liabilities:				
Derivative liabilities	\$ (30,398)	\$ —	\$ (30,398)	\$ —
Letters of credit	2,455	—	—	2,455
Total liabilities	\$ (27,943)	\$ —	\$ (30,398)	\$ 2,455

At June 30, 2025, the Bank had a derivative asset position of \$30.2 million and received \$31.4 million in cash collateral against this position which resulted in a net contra-liability of \$1.3 million. At June 30, 2025, the Bank had a derivative liability position of \$886 thousand and posted \$31.3 million of initial margin in cash collateral which resulted in a net contra-liability of \$30.4 million.

The table below represents a reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended June 30, 2025:

	Assets			Liabilities	
	Certificates of Deposit	Agricultural Mortgage-Backed Securities	Loans Held for Sale	Letters of Credit	Total
Balance at March 31, 2025	\$ —	\$ 5,969	\$ 7,776	\$ 2,841	\$ 10,904
Net gains (losses) included in other comprehensive income	(16)	57	—	—	41
Purchases, issuances and settlements, sales	50,000	(252)	(7,776)	(386)	42,358
Balance at June 30, 2025	\$ 49,984	\$ 5,774	\$ —	\$ 2,455	\$ 53,303
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 June 30, 2025					
	\$ (16)	\$ 57	\$ —	\$ —	\$ 41

The table below represents a reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ended June 30, 2025:

	Assets			Liabilities	
	Certificates of Deposit	Agricultural Mortgage-Backed Securities	Loans Held for Sale	Letters of Credit	Total
Balance at December 31, 2024	\$ —	\$ 6,553	\$ 7,981	\$ 3,563	\$ 10,971
Net gains (losses) included in other comprehensive income	(16)	118	—	—	102
Purchases, issuances and settlements, sales	50,000	(897)	(7,981)	(1,108)	42,230
Balance at June 30, 2025	\$ 49,984	\$ 5,774	\$ —	\$ 2,455	\$ 53,303
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 June 30, 2025	\$ (16)	\$ 118	\$ —	\$ —	\$ 102

During the six months ended June 30, 2025, certificates of deposit were included in Level 3 due to their valuation being based on Level 3 criteria (broker quotes). Loans held for sale were also included in Level 3 due to their valuation being based on Level 3 criteria (broker quotes) prior to the completion of the sale in the second quarter of 2025. 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 June 30, 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	\$ 7,405	\$ —	\$ —	\$ 7,405
Other property owned	3,463			3,463
Total assets	\$ 10,868	\$ —	\$ —	\$ 10,868

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)
Assets:				
Federal funds sold and other overnight funds	\$ 455,323	\$ —	\$ 455,323	\$ —
Available-for-sale investments				
Agency-guaranteed debt	9,608	—	9,608	—
Certificates of deposit	250,084	—	250,084	—
Corporate debt	59,528	—	59,528	—
Mortgage-backed securities	5,383,451	—	5,383,451	—
U.S. Treasury securities	824,223	—	824,223	—
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	—	—
Total assets	\$ 7,106,459	\$ 2,237	\$ 7,089,688	\$ 14,534
Liabilities:				
Derivative liabilities	\$ (32,810)	\$ —	\$ (32,810)	\$ —
Letters of credit	3,563	—	—	3,563
Total liabilities	\$ (29,247)	\$ —	\$ (32,810)	\$ 3,563

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 three months ended June 30, 2024:

	Assets			Liabilities		Total
	Mortgage- Backed Securities	Agricultural Mortgage-Backed Securities	Loans Held for Sale	Letters of Credit		
Balance at March 31, 2024	\$ —	\$ 7,931	\$ —	\$ 2,166		\$ 5,765
Net gains included in other comprehensive income	47	68	—	—		115
Purchases, issuances and settlements, sales	90,484	(424)	—	—		90,060
Transfers into Level 3	—	—	17,397	—		17,397
Balance at June 30, 2024	\$ 90,531	\$ 7,575	\$ 17,397	\$ 2,166		\$ 113,337
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 June 30, 2024	\$ 47	\$ 68	\$ —	\$ —		\$ 115

The table below represents a reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ended June 30, 2024:

	Assets				Liabilities		Total
	Certificates of Deposit	Mortgage- Backed Securities	Agricultural Mortgage-Backed Securities	Loans Held for Sale	Letters of Credit		
Balance at December 31, 2023	\$ 100,007	\$ —	\$ 8,499	\$ —	\$ 1,830		\$ 106,676
Net gains included in other comprehensive income	—	47	80	—	—		127
Purchases, issuances and settlements, sales	—	90,484	(1,004)	—	336		89,144
Transfers into Level 3	—	—	—	17,397	—		17,397
Transfers out of Level 3	(100,007)	—	—	—	—		(100,007)
Balance at June 30, 2024	\$ —	\$ 90,531	\$ 7,575	\$ 17,397	\$ 2,166		\$ 113,337
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 June 30, 2024	\$ —	\$ 47	\$ 80	\$ —	\$ —		\$ 127

Certificates of deposit 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. Loans held for sale were included in Level 3 due to their valuation being based on Level 3 criteria (broker quotes). MBS were also included in Level 3 since their valuation was based on Level 3 criteria (broker quotes). 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 assets	<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:

June 30, 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	\$ 58,024	\$ 58,024	\$ —	\$ —	\$ 58,024
Net loans	33,015,296	—	—	31,908,872	31,908,872
Total assets	<u>\$ 33,073,320</u>	<u>\$ 58,024</u>	<u>\$ —</u>	<u>\$ 31,908,872</u>	<u>\$ 31,966,896</u>
Liabilities:					
Systemwide debt securities	\$ 38,713,839	\$ —	\$ —	\$ 37,980,815	\$ 37,980,815
Total liabilities	<u>\$ 38,713,839</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 37,980,815</u>	<u>\$ 37,980,815</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 assets	<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 liabilities	<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 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 certificates of deposit and 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	
	June 30, 2025	December 31, 2024			June 30, 2025	December 31, 2024
Certificates of deposit	\$ 49,984	\$ —	Broker quotes	—	—	—
Agricultural mortgage-backed securities	\$ 5,774	\$ 6,553	Discounted cash flow	Prepayment rates	4.88% - 31.17% / 8.13%	3.49% - 31.17% / 8.07%
Loans held for sale	—	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

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:

		Amounts Not Offset on the Balance Sheet		
	Gross Amounts of Assets/Liabilities Presented on the Balance Sheet	Cash Collateral Received/(Pledged)	Investment Securities Received/Pledged as Collateral	Net Amount
June 30, 2025				
Assets:				
Interest rate swaps and other derivatives	\$ 30,155	\$ 31,434	\$ —	\$ (1,279)
Federal funds sold and overnight investments	455,858	—	(50,000)	405,858
Liabilities:				
Interest rate swaps and other derivatives	886	(31,284)	—	(30,398)
		Amounts Not Offset on the Balance Sheet		
	Gross Amounts of Assets/Liabilities Presented on the Balance Sheet	Cash Collateral Received/(Pledged)	Investment Securities Received/ Pledged as Collateral	Net Amount
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 June 30, 2025, the Bank held interest rate caps with a notional amount of \$75.0 million and a net fair value asset of \$11 thousand, and pay-fixed interest rate swaps with a notional amount of \$1.45 billion and a net fair value asset of \$29.3 million. At June 30, 2025, there was \$2.2 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.

The primary type of derivative instruments used and the activity (notional amount of derivatives) during the six months ended June 30, 2025 are summarized in the following table.

	Pay-Fixed Swaps	Interest Rate Caps	Total
Balance at December 31, 2024	\$ 1,400,000	\$ 95,000	\$ 1,495,000
Additions	50,000	—	50,000
Maturities/Termination	—	(20,000)	(20,000)
Balance at June 30, 2025	\$ 1,450,000	\$ 75,000	\$ 1,525,000

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 June 30, 2025, the Bank had posted \$31.3 million of cash as collateral for initial margin, compared to \$32.8 million at December 31, 2024. At June 30, 2025, the Bank had a net

derivative asset value of \$29.3 million and received \$31.4 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 June 30, 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:						
Aa2	\$ 11	\$ —	\$ 11	\$ 11	\$ —	\$ 11
Aa3	15,147	16,827	31,974	31,974	150	31,824
Total	\$ 15,158	\$ 16,827	\$ 31,985	\$ 31,985	\$ 150	\$ 31,835

*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 June 30, 2025, the Bank had posted \$31.3 million of cash as collateral and received cash collateral of \$31.4 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 June 30, 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 June 30, 2025, the Bank had a notional amount of cleared cash flow hedges of \$1.45 billion with associated initial margin of \$31.3 million. At June 30, 2025, the Bank received cash collateral from the counterparty of \$31.4 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 June 30, 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 \$134 thousand recorded in accumulated other comprehensive loss (AOCL) as of June 30, 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 June 30, 2025 and June 30, 2024, there was no ineffectiveness for cash flow hedges. There was no ineffectiveness for cash flows for the six months ended June 30, 2025 compared to \$3 thousand of ineffectiveness for the six months ended June 30, 2024.

The following table represents the fair value of cash flow derivative instruments, inclusive of posted or received variation margin for cleared activity as of June 30, 2025 and December 31, 2024:

	Balance Sheet Location	Fair Value at		Balance Sheet Location	Fair Value at	
		June 30, 2025	December 31, 2024		June 30, 2025	December 31, 2024
Interest rate caps	Other assets	\$ 11	\$ 101	Other liabilities	\$ —	\$ —
Pay-fixed swaps	Other assets	(1,290)	(1,667)	Other liabilities	886	—
		<u>\$ (1,279)</u>	<u>\$ (1,566)</u>		<u>\$ 886</u>	<u>\$ —</u>

The following table sets forth the effect of derivative (loss) gain recognized in AOCL for the three months ended June 30, 2025 and June 30, 2024:

	Gain (Loss) Recognized in AOCL on Derivatives at June 30,			Gain (Loss) Reclassified from AOCL into Income at June 30,	
	2025	2024		2025	2024
Interest rate caps	\$ (91)	\$ (23)	Interest expense	\$ (99)	\$ 120
Pay-fixed swaps	(36,094)	31,142	Other income, net	—	—
	<u>\$ (36,185)</u>	<u>\$ 31,119</u>		<u>\$ (99)</u>	<u>\$ 120</u>

NOTE 9 – CAPITAL

On July 8, 2025, the Bank issued \$350.0 million of Class B perpetual non-cumulative subordinated preferred stock, Series 6 (Class B-6), representing 350,000 thousand shares at \$1,000 per share par value, for net proceeds of \$346.5 million, with estimated issuance costs of \$3.5 million. Dividends on the Class B-6, if declared by the board of directors at its sole discretion, are noncumulative and are payable quarterly in arrears on the fifteenth day of March, June, September and December of each year, commencing September 15, 2025, at an annual fixed rate of 7.00 percent of par value of \$1,000 per share up to, but excluding, September 15, 2030 (the “First Reset Date”), from and after which date will be paid at an annual rate of the five-year Treasury rate as of the most recent five-year reset dividend determination date plus 3.010 percent. The Class B-6 is not mandatorily redeemable at any time but may be redeemed in whole or part at the option of the Bank, with prior approval from the FCA, on any dividend payment date on or after September 15, 2030. The Class B-6 ranks pari passu with respect to the existing Class B-3, Class B-4 and Class B-5 preferred stock and senior to all of the Bank’s other outstanding capital stock. For regulatory purposes, the Class B-6 preferred stock will be included in permanent capital, total capital and tier 1 capital within certain limitations.

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.

This resulted in an increase in capital stock of \$153.7 million for the Bank's shareholders' 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 June 30, 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 June 30, 2025	As of December 31, 2024
Risk-adjusted:			
Common equity tier 1 ratio	7.00 %	8.95 %	8.58 %
Tier 1 capital ratio	8.50	13.18	13.04
Total capital ratio	10.50	13.49	13.30
Permanent capital ratio	7.00	13.22	13.07
Non-risk-adjusted:			
Tier 1 leverage ratio	5.00 %	5.73 %	5.64 %
UREE leverage ratio	1.50	1.96	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 June 30, 2025:

	Common Equity Tier 1 Ratio	Tier 1 Capital Ratio	Total Capital Ratio	Permanent Capital Ratio
Numerator:				
Unallocated retained earnings	\$ 936,697	\$ 936,697	\$ 936,697	\$ 936,697
Adjustments for patronage or dividend accrued receivables and payables	656	656	656	656
Common Cooperative Equities:				
Purchased other required stock ≥ 7 years	640,342	640,342	640,342	640,342
Allocated stock ≥ 7 years	36,042	36,042	36,042	36,042
Allocated equities:				
Allocated equities held ≥ 7 years	108,955	108,955	108,955	108,955
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	—	—	53,543	—
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(139,170)	(139,170)	(139,170)	(139,170)
Other regulatory required deductions	(115)	(115)	(115)	(115)
Total	<u>\$ 1,583,407</u>	<u>\$ 2,333,407</u>	<u>\$ 2,386,950</u>	<u>\$ 2,333,407</u>
Denominator:				
Risk-adjusted assets excluding allowance	\$ 17,698,367	\$ 17,698,367	\$ 17,698,367	\$ 17,698,367
Regulatory Adjustments and Deductions:				
Allowance for credit losses on loans	—	—	—	(46,924)
Total	<u>\$ 17,698,367</u>	<u>\$ 17,698,367</u>	<u>\$ 17,698,367</u>	<u>\$ 17,651,443</u>

The components of the Bank's non-risk-adjusted capital, based on 90-day average balances, were as follows at June 30, 2025:

	Tier 1 Leverage Ratio	UREE Leverage Ratio
Numerator:		
Unallocated retained earnings	\$ 936,697	\$ 936,697
Adjustments for patronage or dividend accrued receivables and payables	656	656
Common Cooperative Equities:		
Purchased other required stock ≥ 7 years	640,342	—
Allocated stock ≥ 7 years	36,042	—
Allocated equities:		
Allocated equities held ≥ 7 years	108,955	—
Noncumulative perpetual preferred stock	750,000	—
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(139,170)	(139,170)
Other regulatory required deductions	(115)	(115)
Total	<u>\$ 2,333,407</u>	<u>\$ 798,068</u>
Denominator:		
Total assets	\$ 40,889,534	\$ 40,889,534
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(145,143)	(145,143)
Total	<u>\$ 40,744,391</u>	<u>\$ 40,744,391</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 six months ended June 30:

	2025	2024
Service cost	\$ 53	\$ 56
Interest cost	284	267
Amortization of:		
Prior service credits	—	(38)
Net actuarial gains	—	(70)
Total	<u>\$ 337</u>	<u>\$ 215</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 six months ended June 30, 2025:

	Total	Investments	Postretirement Benefit Plans	Cash Flow Derivative Instruments
Balance at December 31, 2024	\$ (466,147)	\$ (532,253)	\$ 1,019	\$ 65,087
Change in net unrealized losses on AFS securities:				
Net change in unrealized losses on AFS securities	90,177	90,177		
Net change in unrealized losses on AFS securities	90,177	90,177		
Change in cash flow derivative instruments:				
Net change in unrealized gains on cash flow derivative instruments	(36,185)			(36,185)
Reclassification of loss recognized in interest expense	99			99
Net change in cash flow derivative instruments	(36,086)			(36,086)
Total other comprehensive income (loss)	54,091	90,177	—	(36,086)
Balance at June 30, 2025	<u>\$ (412,056)</u>	<u>\$ (442,076)</u>	<u>\$ 1,019</u>	<u>\$ 29,001</u>

The following is a summary of the components of AOCL and the changes that occurred during the six months ended June 30, 2024:

	Total	Investments	Postretirement Benefit Plans	Cash Flow Derivative Instruments
Balance at December 31, 2023	\$ (521,511)	\$ (568,329)	\$ 1,926	\$ 44,892
Change in net unrealized losses on AFS securities:				
Net change in unrealized losses on AFS securities	(7,465)	(7,465)		
Net change in unrealized losses on AFS securities	(7,465)	(7,465)		
Change in postretirement benefit plans:				
Amounts amortized into net periodic expense:				
Amortization of prior service credits and actuarial gains	(108)		(108)	
Net change in postretirement benefit plans	(108)		(108)	
Change in cash flow derivative instruments:				
Net change in unrealized gains on cash flow derivative instruments	31,359			31,359
Reclassification of net gains recognized in interest expense	(120)			(120)
Net change in cash flow derivative instruments	31,239			31,239
Total other comprehensive income (loss)	23,666	(7,465)	(108)	31,239
Balance at June 30, 2024	\$ (497,845)	\$ (575,794)	\$ 1,818	\$ 76,131

The following table summarizes reclassifications out of accumulated other comprehensive (loss) income to current earnings for the six months ended June 30, 2025, and June 30, 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	\$ —	\$ (108)	Salaries and employee benefits
Amortization of cash flow hedges	99	(120)	Interest expense
Total	\$ 99	\$ (228)	

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 six months ended June 30, 2025, and June 30, 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 noninterest 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 August 8, 2025, which is the date the financial statements were issued.

On July 8, 2025, the Bank issued \$350.0 million of Class B perpetual non-cumulative subordinated preferred stock, Series 6 (Class B-6), representing 350,000 shares at \$1,000 per share par value, for net proceeds of \$346.5 million, with estimated issuance costs of \$3.5 million.

There are no additional subsequent events requiring disclosure as of August 8, 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 the Combined Balance Sheets and Combined Statements of Income, which can be found on the Bank's website at 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	June 30, 2025 Quarterly Report Reference
Scope of Application	Corporate entity and structure	Page 54
Capital Structure	Regulatory capital components	Page 55
Capital Adequacy	Risk-weighted assets	Page 56
	Regulatory capital ratios	Page 56
Capital Buffers	Quantitative disclosures	Page 56
Credit Risk	Summary of exposures	Page 57
	Industry distribution	Page 57
	Contractual maturity	Page 58
	Geographic distribution	Page 58
	Nonperforming loans	Note 3 on Pages 32-33
	Allowance for credit losses on loans	Note 3 on Pages 34-35
Counterparty Credit Risk-Related Exposures	Counterparty exposures	Page 58
Credit Risk Mitigation	Exposures with reduced capital requirements	Page 59
Securitization	Securitization exposures	Page 59
Equities	General description	Page 59
Interest Rate Risk for Nontrading Activities	Interest rate sensitivity	Page 60

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. 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 June 30, 2025:

	Three-Month Average Daily Balance
Common equity tier 1 capital (CET1):	
Common cooperative equities:	
Purchased other required stock ≥ 7 years	\$ 640,342
Allocated stock ≥ 7 years	36,042
Allocated equities:	
Qualified allocated equities subject to retirement	108,955
Nonqualified allocated equities subject to retirement	—
Nonqualified allocated equities not subject to retirement	—
Unallocated retained earnings	936,697
Adjustments for patronage or dividend accrued receivables and payables	656
Paid-in capital	—
Regulatory adjustments and deductions made to CET1	(139,285)
Total CET1 capital	<u>\$ 1,583,407</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>\$ 2,333,407</u>
Tier 2 capital (T2):	
Common cooperative equities not included in CET1	\$ —
T2 capital elements (allowance for credit losses on loans)	53,543
Regulatory adjustments and deductions made to T2 capital	—
Total T2 Capital	<u>53,543</u>
Total capital	<u>\$ 2,386,950</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 June 30, 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)	4,656,749
Exposures to depository institutions, foreign banks and credit unions	3,917
Exposures to public sector entities	—
Corporate exposures, including borrower loans and exposures to other financing institutions	9,532,100
Residential mortgage exposures	—
Past due and nonaccrual exposures	86,523
Securitization exposures	94,004
Exposures to other assets	652,151
Total Risk-Weighted Assets, On-Balance Sheet Assets	15,025,444
Off-Balance Sheet Assets:	
Letters of Credit	156,741
Commitments	2,506,780
Repo-styled transactions	365
Over-the-counter derivatives	8,176
Unsettled transactions	—
Cleared transactions	—
All other off-Balance Sheet exposures	861
Total Risk-Weighted Assets, Off-Balance Sheet Assets	2,672,923
Total Risk-Weighted Assets Before Adjustments	17,698,367
Additions:	
Intra-system equity investments	139,285
Deductions:	
Regulatory capital deductions	(139,285)
Total Standardized Risk-Weighted Assets	\$ 17,698,367

Capital and Leverage Ratios

As of June 30, 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 June 30, 2025	Calculated Buffers
Common equity tier 1 capital ratio	4.50 %	2.50 %	8.95 %	4.45 %
Tier 1 capital ratio	6.00	2.50	13.18	7.18
Total capital ratio	8.00	2.50	13.49	5.49
Tier 1 leverage ratio	4.00	1.00	5.73	1.73

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 June 30, 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 June 30, 2025.

	Total Exposure
Direct notes receivable from District Associations	\$ 28,987,088
Real estate mortgage	1,427,039
Production and intermediate-term	1,840,224
Agribusiness	
Loans to cooperatives	1,165,303
Processing and marketing	5,044,444
Farm-related business	416,848
Communications	1,016,585
Energy (rural utilities)	2,944,761
Water and waste disposal	347,913
Mission-related	1,885
Rural home	1,052
International	290,886
Leases	3,722
Loans to other financing institutions	101,000
Total	<u>\$ 43,588,750</u>

The following table provides an overview of the remaining contractual maturity of the Bank's credit risk portfolio categorized by exposure at June 30, 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	\$ 5,613,406	\$ 10,653,996	\$ 16,788,004	\$ 33,055,406
Off-Balance Sheet commitments:				
Financial letters of credit	46,856	175,729	204	222,789
Performance letters of credit	3,100	7,884	—	10,984
Commercial letters of credit	4,296	3,342	1,577	9,215
Unfunded commitments	7,245,316	2,851,429	193,611	10,290,356
Investments	906,133	1,269,023	4,951,626	7,126,782
Derivatives (notional)	—	1,125,000	400,000	1,525,000
Total	\$ 13,819,107	\$ 16,086,403	\$ 22,335,022	\$ 52,240,532

The following table illustrates the Bank's total exposure (including commitments) by geographic distribution as of June 30, 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 June 30, 2025 and the fair value of these derivatives with excess variation margin for cleared activities.

	Notional Amount	Fair Value Positive (Negative)
Interest rate caps	\$ 75,000	\$ 11
Pay-fixed swaps	1,450,000	(1,290)
Total	\$ 1,525,000	\$ (1,279)

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 June 30, 2025.

Government-Guaranteed Asset Type	90-Day Average Balance	Risk Weighting	Risk-Weighted Amount
Investments	\$ 5,030,057	0%	\$ —
Loans	1,811	0%	—
Total	<u>\$ 5,031,868</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) as 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 June 30, 2025, nor does it have any outstanding exposures that it intends to be securitized at June 30, 2025. The Bank did not recognize any gain or loss on securitized assets for the six months ended June 30, 2025.

Below is an overview of the Bank's purchased securitization exposures held as of June 30, 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	\$ 3,161,110	0%
FNMA and FHLMC	Standardized risk weighting	2,953,972	0%-20%
Total		<u>\$ 6,115,082</u>	
Asset-backed securities:			
Small Business Administration	Standardized risk weighting	\$ 108,928	0%
Asset-backed securities	Gross-up	85,113	20%-100%
Total		<u>\$ 194,041</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 June 30, 2025	Disclosed in Other Assets	Life-to-Date Losses Recognized in Retained Earnings*
RBICs	<u>\$ 19,526</u>	<u>\$ 14,132</u>

*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 June 30, 2025:

Basis points:	-200	-100	+100	+200
Change in net interest income	4.37%	1.24%	2.87%	5.16%
Change in market value of equity	28.84%	13.31%	(8.77)%	(15.92)%

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



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