



2026

# First Quarter Report



TEXAS  
FARM CREDIT  
DISTRICT

## Introduction and Texas Farm Credit District Overview

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

The Farm Credit Bank of Texas (the Bank) and its affiliated associations, collectively referred to as the Texas Farm Credit District (the Texas District), are part of the Farm Credit System (the System). The System is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. The Texas District's chartered territory includes the states of Texas, Alabama, Mississippi, Louisiana and most of New Mexico. As of March 31, 2026, the Bank served one Federal Land Credit Association (FLCA) and 11 Agricultural Credit Associations (ACAs) (collectively referred to as Associations). The Bank also serves certain Other Financing Institutions (OFIs), which are not part of the System.

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

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

The following commentary reviews the combined financial statements of condition and results of operations of the Texas District for the three months ended March 31, 2026.

## Combined Financial Highlights

(dollars in thousands, except as noted)

	March 31, 2026	December 31, 2025
Total loans	\$ 42,240,543	\$ 42,183,360
Allowance for credit losses on loans	160,186	139,750
Net loans	42,080,357	42,043,610
Total assets	50,900,393	50,991,438
Total members' equity	6,387,208	6,206,273
<b>Three Months Ended March 31,</b>	<b>2026</b>	<b>2025</b>
Net interest income	\$ 320,574	\$ 305,663
Provision for credit losses on loans	21,304	24,492
Net fee income	13,156	11,007
Net income	213,825	177,705
Net interest margin	2.61 %	2.62 %
Net loan charge-offs as a percentage of average loans	—	—
Return on average assets (ROA)	1.70	1.49
Return on average shareholders' equity (ROE)	13.72	12.16
Operating expenses as a percentage of net interest income and noninterest income	37.43	40.55
Average loans	\$ 42,165,996	\$ 40,078,832
Average interest earning assets	49,738,332	47,387,357
Average total assets	50,872,144	48,452,151

## Management's Discussion and Analysis

(dollars in thousands, except as noted)

### CONDITIONS IN THE TEXAS DISTRICT

The Texas District continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit. Persistent operating environment dynamics continue to present challenges. Driving factors such as geopolitical risk, commodity price volatility, elevated input and debt costs, and evolving trade policies are impacting performance across multiple sectors. Despite these challenges, overall credit quality in the Texas District remains stable.

Trade conditions continue to evolve, driven by fluctuations in tariff measures. The Supreme Court ruled that current law does not authorize the administration to impose broad-based tariffs, invalidating a large set of reciprocal tariffs imposed by the administration since early 2025. Subsequently, the administration implemented a 10 percent temporary global surcharge under Section 122 of the Trade Act of 1974. The measure applies to most imports worldwide with key exceptions such as the United States, Mexico and Canada free trade agreement (USMCA)-compliant goods. The measure is legally limited to 150 days, expiring on July 24, 2026, unless replaced by longer-term actions. Additionally, the mandatory joint review of the USMCA is scheduled to begin on July 1, 2026. These events among others have led to tariff risk and policy uncertainty, with potential implications for inflation, supply chains, and U.S. trading partners.

After three consecutive 25 basis point cuts in the target federal funds rate in 2025, the Federal Open Market Committee (FOMC) voted to hold the target federal funds range constant at the 3.50-3.75 percent range during the March 2026 meeting. The FOMC considers that uncertainty about the economic outlook remains elevated, and the implications of developments in the Middle East for the U.S. economy are also uncertain. The FOMC stated that future assessments will continue to consider a wide range of information, including readings on labor market conditions, inflation pressures and expectations, and financial and international developments. The percentage change in the Consumer Price Index (inflation) for All Urban Consumers increased from 2.4 to 3.3 percent on both a month-over-month (MOM) and a year-over-year (YOY) basis in March 2026. The full extent of inflationary effects of trade and shipping disruptions through the Strait of Hormuz related to the conflict with Iran are unknown at this time; however, upward pressure on fertilizer prices is anticipated, given that approximately 15 percent of U.S. fertilizer imports originate from the Middle East per the American Farm Bureau Federation.

The Bureau of Labor Statistics reported that the U.S. unemployment rate was 4.3 percent in March 2026, marginally down MOM from 4.4 percent but ticked up from 4.2 percent in March 2025. February 2026 state unemployment rates in the Texas District were released on April 22, 2026, and ranged from a low of 2.7 percent in Alabama to a high of 4.7 percent in New Mexico. The Texas unemployment rate increased YOY from 4.1 to 4.3 percent in February 2026. Overall, the unemployment rates in the Texas District remain relatively stable and only New Mexico's unemployment rate was above the national average.

On April 9, 2026, the U.S. Bureau of Economic Analysis (BEA) released its third estimate of real gross domestic product (GDP) for the fourth quarter of 2025. U.S. real GDP increased at an annual rate of 0.5 percent, down from 4.4 percent in the prior quarter and from a 1.9 percent increase in the year-ago period. The higher U.S. real GDP in the fourth quarter of 2025 reflected increases in consumer spending and investment, partly offset by decreases in government spending and exports. Imports, which are a subtraction in the calculation of GDP, decreased. Within the Texas District, annualized real GDP growth increased quarter-over-quarter (QOQ) in Texas, Louisiana and Alabama in the fourth quarter of 2025 but decreased in Mississippi and New Mexico. Overall, real GDP growth rates ranged from an increase of 1.4 percent in Texas to a decrease of 1.7 percent in Mississippi. Real GDP growth decelerated compared to the same period a year ago.

In terms of relevant Texas District commodities, the West Texas Intermediate (WTI) spot price (free on board) averaged about \$65 per barrel in 2025. The Energy Information Administration (EIA) indicated in its April 2026 edition of the Short-Term Energy Outlook that the WTI crude oil spot price is expected to average about \$87 per barrel in 2026 and \$73 per barrel in 2027, substantially higher compared to about \$54 per barrel and \$49 per barrel, respectively, that was expected in February 2026 (prior to the conflict in the Middle East). WTI prices in 2026 are expected to average well above the level needed to profitably drill a new well (\$65 per barrel). Following the onset of military action in the Middle East that began on February 28, there has been physical damage to oil infrastructure in key oil producing countries as well as very limited oil tanker traffic through the Strait of Hormuz. These events have translated into higher uncertainty and volatility, adding a large risk premium to oil prices as market participants assess disruptions to oil flows and weigh the potential for those disruptions to persist. Nearly 20 percent of the global oil supply flows through the Strait of Hormuz. The U.S. benchmark Henry Hub natural gas spot price averaged \$3.53 per million British thermal units (MMBtu) in 2025, after increasing 61 percent YOY. EIA's forecast as of

April 2026 indicates that the natural gas price is currently expected to continue to increase by about 4 percent in 2026 before declining by 2 percent in 2027.

The April 2026 edition of S&P Global Agricultural Commodity Price Watch indicated that U.S. average farm prices of key Texas District crops such as corn, soybeans and wheat increased QOQ in the first quarter of 2026 while the quarterly average cotton farm price slightly declined. However, front-month cotton futures increased over the second half of March and in early April. Additionally, soybeans quarterly average farm prices increased YOY as of the first quarter 2026, while cotton, wheat and corn farm prices decreased YOY. Cattle and broilers quarterly average prices increased QOQ in the first quarter 2026, while hogs and farm-level milk prices declined QOQ. Cattle and hog prices increased YOY while broilers and dairy prices declined. High beef cattle demand persists while supply is tight. In terms of lumber, the quarterly average physical cash price increased QOQ by about 2 percent as of the first quarter of 2026 but declined by about 1 percent from the same period a year ago.

The USDA reported that payments under the Farmer Bridge Assistance (FBA) program will be issued as applications are approved and will be calculated using a flat payment rate for the eligible commodity multiplied by the eligible reported acres. The program is the largest component of the \$12 billion USDA bridge-aid package, with up to \$11 billion allocated to eligible row-crop producers nationwide. Some of the major eligible crops grown in the Texas District are cotton, sorghum, wheat, corn, soybeans, and rice. Rice and cotton have the top payment rates. An FBA payment calculator is available to help eligible producers estimate payments.

The combined Drought Monitor for the five Texas District states indicates that the drought area categorized as moderate, severe, extreme and exceptional (D1-D4) deteriorated from December 2025 and from the conditions experienced over the same period a year ago by more than 30 percentage points, reaching about 87 percent of total area as of the week of March 31, 2026. The National Weather Service confirms that drought has expanded and intensified in the South region, which is typical for La Niña. The April-May-June outlook calls for equal chances of below, near, or above-normal precipitation for much of the South region but is leaning toward drier for the northern Texas Panhandle. The precipitation outlook and warmer-than-normal temperatures suggest that drought persistence is more likely across most of eastern Texas.

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

## **RESULTS OF OPERATIONS**

### **Net Income**

Net income for the Texas District was \$213.8 million for the three months ended March 31, 2026, an increase of \$36.1 million, or 20.33 percent, from the same period of 2025. The increase in net income was primarily driven by a \$21.0 million increase in noninterest income, a \$14.9 million increase in net interest income and a \$3.2 million decrease in the provision for credit losses on loans, partially offset by a \$2.8 million increase in noninterest expense. The return on average assets increased to 1.70 percent for the three months ended March 31, 2026, from 1.49 percent for the three months ended March 31, 2025.

## **Net Interest Income**

Net interest income for the three months ended March 31, 2026 was \$320.6 million, an increase of \$14.9 million, or 4.88 percent, over the same period of 2025. The increase reflects the impact of a \$2.35 billion increase in the Texas District's average interest earning assets. The net interest spread for the three months ended March 31, 2026 was 2.16 percent, which is consistent with the net interest spread for the three months ended March 31, 2025 of 2.16 percent. The average yields on interest earning assets decreased by 15 basis points, offset by a 15 basis point decrease in the average rate paid on interest-bearing liabilities. Net interest margin decreased by 1 basis point to 2.61 percent for the three months ended March 31, 2026, compared to 2.62 percent for the same period of 2025, reflecting a decrease of 1 basis point in earnings on assets funded by noninterest-bearing sources (principally capital).

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

During the three months ended March 31, 2026, the provision for credit losses on loans totaled \$21.3 million, a decrease of \$3.2 million compared to the same period of 2025.

The combined Associations recorded a provision for credit losses on loans of \$9.8 million for the three months ended March 31, 2026, compared to \$9.8 million for the same period of 2025. The provision for credit losses on loans for the combined Associations during the three months ended March 31, 2026, reflects higher general reserves due to credit deterioration for select borrowers in the production and intermediate-term and real estate mortgage loan sectors.

The Bank recorded a provision for credit losses on loans of \$11.5 million for the three months ended March 31, 2026, compared to \$14.7 million for the same period of 2025. The Bank's provision for credit losses on loans for the three months ended March 31, 2026, primarily reflects higher general reserves due to credit deterioration for select borrowers in the agribusiness loan sector and a more pessimistic economic outlook.

## **Noninterest Income**

Noninterest income for the three months ended March 31, 2026 was \$55.2 million, an increase of \$21.0 million, or 61.43 percent, compared to the same period of 2025. The increase was primarily attributable to an increase of \$14.4 million in the return of excess insurance funds from the Farm Credit System Insurance Corporation (FCSIC), an increase in patronage income of \$3.6 million and an increase in fees for loan-related services of \$2.1 million.

## **Noninterest Expense**

Noninterest expense for the three months ended March 31, 2026, totaled \$140.7 million, an increase of \$2.8 million, or 2.05 percent, from the same period of 2025. The increase in noninterest expense was primarily driven by an increase of \$1.9 million in purchased services and an increase of \$1.2 million in occupancy and equipment expenses.

The expense for FCSIC premiums is directly impacted by the premium rate assessed by FCSIC. The FCSIC board meets periodically throughout the year to review premium rates. The premium rates as set by the FCSIC board in February 2026 are 10 basis points for 2026 and were 10 basis points for 2025. In mid-2026, the FCSIC board will meet to evaluate the premium rates for the remainder of 2026.

**LOAN PORTFOLIO**

The following table summarizes Texas District loans by loan type:

	March 31, 2026	December 31, 2025
Real estate mortgage	\$ 24,748,100	\$ 24,731,999
Production and intermediate-term	6,389,491	6,588,066
Agribusiness:		
Loans to cooperatives	933,223	741,577
Processing and marketing	5,311,527	5,348,712
Farm-related business	631,081	655,692
Communications	1,204,794	1,148,405
Energy (rural utilities)	2,208,577	2,167,719
Water and waste disposal	216,561	205,032
Rural residential real estate	248,972	254,160
International	227,187	222,449
Mission-related	31,786	31,557
Loans to other financing institutions (OFIs)	70,420	68,172
Lease receivables	18,824	19,820
Total	<u>\$ 42,240,543</u>	<u>\$ 42,183,360</u>

The Texas District loan portfolio consists predominantly of retail loans. The Bank's loans to the Texas District Associations, also referred to as direct notes, have been eliminated in the combined financial statements. Total Texas District loan volume at March 31, 2026 was \$42.24 billion, an increase of \$57.2 million, or 0.14 percent, from the \$42.18 billion loan portfolio balance at December 31, 2025. The loan volume increase of \$57.2 million during the three months ended March 31, 2026 was driven by a \$35.5 million, or 0.37 percent, increase in the Bank's capital markets loan portfolio and a \$19.4 million, or 0.06 percent, increase in the Texas District Associations' loan portfolios.

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

## LOAN QUALITY

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

- Acceptable – assets expected to be fully collectible and represent the highest quality;
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness;
- Substandard – assets exhibit some serious weakness in repayment capacity, equity or collateral pledged on the loan. Substandard classification is divided between viable and non-viable based on extent of weaknesses and likelihood of collection in full;
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- Loss – assets are considered uncollectible.

The following tables show the amortized cost of loans (principal balance adjusted for discounts, premiums, charge-offs, recoveries and deferred loan fees and costs) classified under the Uniform Loan Classification System by origination year as of March 31, 2026, and December 31, 2025:

March 31, 2026	Acceptable	OAEM (Special Mention)	Substandard	Doubtful	Total	Gross Charge- offs for the Three Months Ended March 31, 2026
2026	\$ 1,490,061	\$ 23,835	\$ 29,299	\$ —	\$ 1,543,195	\$ 120
2025	6,785,965	99,835	59,837	28	6,945,665	138
2024	4,790,392	96,790	70,934	694	4,958,810	51
2023	3,054,662	205,780	103,371	337	3,364,150	204
2022	3,992,557	165,227	61,018	725	4,219,527	196
2021 and prior	13,134,834	182,354	248,330	60	13,565,578	57
Revolving loans	7,013,634	252,043	156,105	303	7,422,085	100
Revolving converted to term loans	207,747	12,509	1,277	—	221,533	—
<b>Total</b>	<b>\$40,469,852</b>	<b>\$ 1,038,373</b>	<b>\$ 730,171</b>	<b>\$ 2,147</b>	<b>\$42,240,543</b>	<b>\$ 866</b>
Percentage	95.80 %	2.46 %	1.73 %	0.01 %	100.00 %	

December 31, 2025	Acceptable	OAEM (Special Mention)	Substandard	Doubtful	Total	Gross Charge-offs for the year ended December 31, 2025
2025	\$ 6,821,786	\$ 105,093	\$ 58,463	\$ —	\$ 6,985,342	\$ 1,360
2024	5,023,289	100,923	46,881	694	5,171,787	11,460
2023	3,334,737	132,309	94,626	337	3,562,009	5,140
2022	4,330,489	151,337	65,367	733	4,547,926	974
2021	5,203,758	57,728	102,019	—	5,363,505	8,085
2020 and prior	8,626,981	102,651	152,574	131	8,882,337	25,535
Revolving loans	6,947,784	233,355	111,337	1,116	7,293,592	66,525
Revolving converted to term loans	363,060	12,604	1,198	—	376,862	—
<b>Total</b>	<b>\$ 40,651,884</b>	<b>\$ 896,000</b>	<b>\$ 632,465</b>	<b>\$ 3,011</b>	<b>\$ 42,183,360</b>	<b>\$ 119,079</b>
Percentage	96.37 %	2.12 %	1.50 %	0.01 %	100.00 %	

Overall credit quality in the Texas District remained strong at March 31, 2026. Loans classified as acceptable or OAEM as a percentage of total loans were 98.26 percent and 98.49 percent at March 31, 2026, and December 31, 2025, respectively.

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

	March 31, 2026	December 31, 2025
<b>Nonaccrual loans:</b>		
Real estate mortgage	\$ 133,814	\$ 140,494
Production and intermediate-term	53,068	53,980
Agribusiness	82,297	86,582
Energy (rural utilities)	1,202	1,366
Rural residential real estate	1,235	1,181
Leases	1,210	1,260
<b>Total nonaccrual loans</b>	<b>272,826</b>	<b>284,863</b>
<b>Accruing loans 90 days or more past due:</b>		
Real estate mortgage	17,389	7,712
Production and intermediate-term	2,298	1,709
Agribusiness	2,125	—
Rural residential real estate	7	140
Mission-related	1,305	1,313
<b>Total accruing loans 90 days or more past due</b>	<b>23,124</b>	<b>10,874</b>
<b>Total nonperforming loans</b>	<b>295,950</b>	<b>295,737</b>
<b>Other property owned</b>	<b>34,745</b>	<b>30,162</b>
<b>Total nonperforming assets</b>	<b>\$ 330,695</b>	<b>\$ 325,899</b>

The Texas District’s nonperforming loans are composed of nonaccrual loans and accruing loans 90 days or more past due. Nonperforming assets consist of nonperforming loans and other property owned (OPO). Total nonperforming assets have increased by \$4.8 million, or 1.47 percent, from \$325.9 million at December 31, 2025, to \$330.7 million at March 31, 2026. The increase was driven by a \$12.3 million increase in accruing loans 90 days or more past due and a \$4.6 million increase in OPO, partially offset by a \$12.0 million decrease in nonaccrual loans. The decrease in nonaccrual loans of \$12.0 million, or 4.23 percent, was driven by repayments of \$42.6 million and the transfer

of \$4.8 million to OPO, partially offset by transfers to nonaccrual of \$26.8 million and advances on nonaccrual loans of \$9.2 million. Loans that are accruing 90 days or more past due at March 31, 2026, are adequately secured and in the process of collection. OPO is held for sale and consists of real and personal property acquired through collection activities.

At March 31, 2026, \$101.7 million, or 37.26 percent, of loans classified as nonaccrual were current as to principal and interest, compared to \$121.1 million, or 42.52 percent, of nonaccrual loans at December 31, 2025.

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

March 31, 2026	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	\$ 183,618	\$ 68,429	\$ 252,047	\$ 24,496,053	\$ 24,748,100
Production and intermediate-term	53,880	44,975	98,855	6,290,636	6,389,491
Agribusiness	24,819	54,053	78,872	6,796,959	6,875,831
Communications	—	—	—	1,204,794	1,204,794
Energy (rural utilities)	—	429	429	2,208,148	2,208,577
Water and waste disposal	—	—	—	216,561	216,561
Rural residential real estate	2,523	344	2,867	246,105	248,972
International	—	—	—	227,187	227,187
Mission-related	27	1,305	1,332	30,454	31,786
Loans to OFIs	—	—	—	70,420	70,420
Lease receivables	128	—	128	18,696	18,824
<b>Total</b>	<b>\$ 264,995</b>	<b>\$ 169,535</b>	<b>\$ 434,530</b>	<b>\$ 41,806,013</b>	<b>\$ 42,240,543</b>

December 31, 2025	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	\$ 171,924	\$ 59,869	\$ 231,793	\$ 24,500,206	\$ 24,731,999
Production and intermediate-term	54,764	45,989	100,753	6,487,313	6,588,066
Agribusiness	9,722	48,759	58,481	6,687,500	6,745,981
Communications	—	—	—	1,148,405	1,148,405
Energy (rural utilities)	14,393	429	14,822	2,152,897	2,167,719
Water and waste disposal	—	—	—	205,032	205,032
Rural residential real estate	3,656	635	4,291	249,869	254,160
International	—	—	—	222,449	222,449
Mission-related	923	1,313	2,236	29,321	31,557
Loans to OFIs	—	—	—	68,172	68,172
Lease receivables	2,206	—	2,206	17,614	19,820
<b>Total</b>	<b>\$ 257,588</b>	<b>\$ 156,994</b>	<b>\$ 414,582</b>	<b>\$ 41,768,778</b>	<b>\$ 42,183,360</b>

A summary of changes in the allowance for credit losses on loans and the allowance for credit losses on unfunded commitments for the three months ended March 31, 2026 are as follows:

	Real Estate Mortgage	Production and Intermediate -Term	Agri- business	Communi- cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter- national	Mission- Related	Loans to OFIs	Lease Receivables	Total
Allowance for Credit Losses on Loans:											
Balance at December 31, 2025	\$ 60,090	\$ 21,255	\$ 48,466	\$ 2,827	\$ 4,174	\$ 629	\$ 366	\$ 10	\$ —	\$ 1,933	\$ 139,750
Charge-offs	(478)	(314)	(74)	—	—	—	—	—	—	—	(866)
Recoveries	87	647	7	—	—	—	—	—	—	—	741
Provision for credit losses/(Loan loss reversal)	6,746	7,590	7,308	(232)	(635)	(6)	(69)	—	—	(141)	20,561
Balance at March 31, 2026	\$ 66,445	\$ 29,178	\$ 55,707	\$ 2,595	\$ 3,539	\$ 623	\$ 297	\$ 10	\$ —	\$ 1,792	\$ 160,186
Allowance for Credit Losses on Unfunded Commitments*:											
Balance at December 31, 2025	\$ 906	\$ 1,965	\$ 4,145	\$ 324	\$ 1,883	\$ 1	\$ 83	\$ —	\$ —	\$ —	\$ 9,307
Provision for credit losses/(Loan loss reversal)	(16)	563	1,042	261	(1,141)	—	34	—	—	—	743
Balance at March 31, 2026	\$ 890	\$ 2,528	\$ 5,187	\$ 585	\$ 742	\$ 1	\$ 117	\$ —	\$ —	\$ —	\$ 10,050

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

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

	Real Estate Mortgage	Production and Intermediate- Term	Agri- business	Communi- cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter- national	Mission- Related	Loans to OFIs	Lease Receivables	Total
Allowance for Credit Losses on Loans:											
Balance at December 31, 2024	\$ 59,970	\$ 32,981	\$ 29,389	\$ 2,501	\$ 3,719	\$ 659	\$ 298	\$ 12	\$ —	\$ 1,404	\$ 130,933
Charge-offs	(282)	(375)	—	—	—	—	—	—	—	—	(657)
Recoveries	89	95	760	—	—	—	—	—	—	—	944
Provision for credit losses/(Loan loss reversal)	(1,036)	16,137	5,452	241	1,740	(13)	118	(1)	—	475	23,113
Balance at March 31, 2025	\$ 58,741	\$ 48,838	\$ 35,601	\$ 2,742	\$ 5,459	\$ 646	\$ 416	\$ 11	\$ —	\$ 1,879	\$ 154,333
Allowance for Credit Losses on Unfunded Commitments*:											
Balance at December 31, 2024	\$ 949	\$ 1,787	\$ 3,802	\$ 201	\$ 850	\$ 1	\$ 50	\$ —	\$ —	\$ —	\$ 7,640
Provision for credit losses/(Loan loss reversal)	(127)	199	122	64	1,126	1	(6)	—	—	—	1,379
Balance at March 31, 2025	\$ 822	\$ 1,986	\$ 3,924	\$ 265	\$ 1,976	\$ 2	\$ 44	\$ —	\$ —	\$ —	\$ 9,019

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

Loans, net of the allowance for credit losses on loans, represented 82.67 percent of total assets at March 31, 2026, and 82.45 percent at December 31, 2025.

## INVESTMENTS

The Bank is responsible for meeting the Texas District's funding, liquidity and asset/liability management needs. While access to the unsecured debt capital markets remains the Bank's primary source of liquidity, the Bank also maintains a secondary source of liquidity through a high-quality investment portfolio and other short-term liquid assets. The Bank holds these investments on an available-for-sale basis. Refer to the Bank's 2025 Annual Report for additional descriptions of the types of investments and maturities. Additionally, the Texas District Associations have regulatory authority to enter into certain guaranteed investments that are typically mortgage-backed or asset-backed securities.

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

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2026				
Bank investments	\$ 7,149,504	\$ 8,183	\$ (422,961)	\$ 6,734,726
Texas District Association investments	312,962	1,765	(530)	314,197
Total	<u>\$ 7,462,466</u>	<u>\$ 9,948</u>	<u>\$ (423,491)</u>	<u>\$ 7,048,923</u>
December 31, 2025				
Bank investments	\$ 7,283,684	\$ 15,375	\$ (405,391)	\$ 6,893,668
Texas District Association investments	317,646	1,371	(749)	318,268
Total	<u>\$ 7,601,330</u>	<u>\$ 16,746</u>	<u>\$ (406,140)</u>	<u>\$ 7,211,936</u>

The Texas District Associations' investments in the preceding table include held-to-maturity securities with an amortized cost of \$71.2 million (unrealized net loss of \$341 thousand and a fair value of \$70.9 million) as of March 31, 2026. As of December 31, 2025, the investments in the preceding table include held-to-maturity securities with an amortized cost of \$70.7 million (unrealized net losses of \$396 thousand and a fair value of \$70.3 million). These securities are reported at amortized cost and are included in investment securities on the Combined Balance Sheets.

The Texas District evaluated its non-guaranteed investment securities with unrealized losses for impairment at the end of the three months ended March 31, 2026. As part of the assessment, the Texas District evaluated and concluded that it does not intend to sell any securities or it is more likely than not that it would be required to sell any securities prior to recovery of the amortized cost basis. The Texas District also evaluates whether credit impairment exists by comparing the present value of the expected cash flows to the security's amortized cost basis. The Texas District concluded that a credit impairment did not exist at March 31, 2026.

## CAPITAL RESOURCES

The Texas District's equity totaled \$6.39 billion at March 31, 2026, including \$1.03 billion in preferred stock, \$74.2 million in capital stock and participation certificates, \$5.32 billion in retained earnings, and \$347.9 million in additional paid-in-capital, partially offset by accumulated other comprehensive loss of \$382.1 million.

Borrower equity purchases required by Texas District Association capitalization bylaws, combined with a history of growth in retained earnings at Texas District institutions, have resulted in Texas District institutions being able to maintain adequate capital positions. The \$6.39 billion capital position of the Texas District at March 31, 2026, reflected an increase of \$180.9 million compared to the capital position of \$6.21 billion at December 31, 2025. The increase since December 31, 2025, primarily reflects net income of \$213.8 million, partially offset by an \$11.9 million increase in accumulated other comprehensive loss, patronage payments of \$3.7 million and preferred stock dividend payments of \$17.1 million.

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

	March 31, 2026	December 31, 2025
Unrealized losses on investment securities	\$ (413,542)	\$ (389,394)
Derivatives and hedging position	36,919	24,310
Employee benefit plan position	(5,463)	(5,079)
Total	<u>\$ (382,086)</u>	<u>\$ (370,163)</u>

Accumulated other comprehensive loss totaled \$382.1 million at March 31, 2026, an increase of \$11.9 million from December 31, 2025. The increase in accumulated other comprehensive loss reflects an increase of \$24.1 million in unrealized losses on the Bank's available-for-sale investments, partially offset by a \$12.6 million increase in the valuation of interest rate swaps at the Bank. All changes are primarily attributable to changes in interest rates.

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

March 31, 2026	Primary Components of Numerator	Regulatory Minimums with Capital Conservation Buffers	Bank	Texas District Associations
Risk adjusted:				
Common equity tier 1 capital ratio	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity) <sup>1</sup>	7.00%	8.91%	9.39% - 16.35%
Tier 1 capital ratio	CET1 capital, noncumulative perpetual preferred stock	8.50%	13.09%	11.44% - 16.35%
Total capital ratio	Tier 1 capital, allowance for credit losses <sup>2</sup> , common cooperative equities <sup>3</sup> and term preferred stock and subordinated debt <sup>4</sup>	10.50%	13.37%	11.78% - 16.72%
Permanent capital ratio	Retained earnings, common stock, noncumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.00%	13.12%	11.48% - 16.41%
Non-risk adjusted:				
Tier 1 leverage ratio*	Tier 1 capital	5.00%	5.62%	10.43% - 15.92%
UREE leverage ratio	URE and URE equivalents	1.50%	1.86%	3.25% - 15.66%

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

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

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

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

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

## Combined Balance Sheets

*(Unaudited, dollars in thousands)*

	<b>March 31, 2026</b>	December 31, 2025
<b>Assets</b>		
Cash	\$ 31,124	\$ 43,730
Federal funds sold and overnight investments	552,553	461,098
Investment securities	7,048,923	7,211,936
Loans	42,240,543	42,183,360
Less allowance for credit losses on loans	160,186	139,750
Net loans	42,080,357	42,043,610
Accrued interest receivable	443,883	475,556
Premises and equipment, net	309,760	313,519
Other assets	433,793	441,989
<b>Total assets</b>	<b>\$ 50,900,393</b>	<b>\$ 50,991,438</b>
 <b>Liabilities and members' equity</b>		
<b>Liabilities</b>		
Bonds and notes, net	\$ 43,801,089	\$ 43,847,774
Accrued interest payable	281,572	273,013
Patronage distributions payable	32,793	283,581
Preferred stock dividends payable	14,638	14,638
Other liabilities	383,093	366,159
<b>Total liabilities</b>	<b>44,513,185</b>	<b>44,785,165</b>
 <b>Members' Equity</b>		
Preferred stock	1,030,000	1,030,000
Capital stock and participation certificates	74,184	74,278
Allocated retained earnings	1,193,690	1,193,719
Unallocated retained earnings	4,123,494	3,930,513
Additional paid-in-capital	347,926	347,926
Accumulated other comprehensive loss	(382,086)	(370,163)
<b>Total members' equity</b>	<b>6,387,208</b>	<b>6,206,273</b>
<b>Total liabilities and members' equity</b>	<b>\$ 50,900,393</b>	<b>\$ 50,991,438</b>

## Combined Statements of Income

(Unaudited, dollars in thousands)

	Three Months Ended March 31,	
	2026	2025
<b>Interest Income</b>		
Investment securities	\$ 66,025	\$ 67,791
Loans	649,461	630,468
<b>Total interest income</b>	<b>715,486</b>	<b>698,259</b>
<b>Interest Expense</b>		
Bonds and notes	342,790	333,520
Notes payable and other	52,122	59,076
<b>Total interest expense</b>	<b>394,912</b>	<b>392,596</b>
<b>Net interest income</b>	<b>320,574</b>	<b>305,663</b>
Provision for credit losses on loans	21,304	24,492
<b>Net interest income after provision for credit losses on loans</b>	<b>299,270</b>	<b>281,171</b>
<b>Noninterest Income</b>		
Patronage income	17,773	14,141
Fees for loan-related services	13,156	11,007
Refunds from Farm Credit System Insurance Corporation (FCSIC)	21,929	7,544
Gain (loss) on Rural Business Investment Companies	4	(629)
Other income, net	2,369	2,150
<b>Total noninterest income</b>	<b>55,231</b>	<b>34,213</b>
<b>Noninterest Expense</b>		
Salaries and employee benefits	77,155	77,181
Occupancy and equipment	21,535	20,361
Purchased services	11,363	9,438
Farm Credit System Insurance Corporation expense	9,045	9,000
Other operating expenses	21,562	21,853
<b>Total noninterest expense</b>	<b>140,660</b>	<b>137,833</b>
<b>Income before income taxes</b>	<b>213,841</b>	<b>177,551</b>
Provision (benefit) for income taxes	16	(154)
<b>Net Income</b>	<b>\$ 213,825</b>	<b>\$ 177,705</b>

## Select Information on Texas District Associations

(Unaudited, dollars in thousands)

As of March 31, 2026	Direct Notes	% of Total Direct Notes	Total Assets	Total Allowance and Capital	Total Capital Ratio	Nonperforming Loans as a % of Total Loans	Annualized ROA
AgTexas Farm Credit Services	\$ 3,126,569	10.87%	\$ 3,683,901	\$ 518,108	12.04 %	0.92 %	1.65 %
AgTrust Farm Credit, ACA	2,943,169	10.23%	3,485,524	539,932	13.74	0.14	2.05
Alabama Ag Credit, ACA	1,357,798	4.72%	1,631,167	262,967	14.20	0.84	1.21
Alabama Farm Credit, ACA	1,207,743	4.20%	1,396,098	180,254	11.78	0.85	1.47
Capital Farm Credit, ACA	11,434,258	39.76%	13,679,031	2,108,006	11.93	1.02	2.21
Central Texas Farm Credit, ACA	655,305	2.28%	801,860	138,849	15.02	0.04	1.40
Legacy Ag Credit, ACA	359,370	1.25%	435,027	73,792	16.72	0.40	1.49
Louisiana Land Bank, ACA	959,855	3.34%	1,191,447	216,429	15.98	0.11	1.74
Mississippi Land Bank, ACA	993,529	3.45%	1,205,301	194,521	14.33	0.08	1.34
Plains Land Bank, FLCA	1,089,193	3.79%	1,304,306	200,867	13.68	0.66	2.04
Southern AgCredit, ACA	1,637,673	5.69%	1,911,372	249,737	12.18	0.36	1.53
Texas Farm Credit Services	2,996,497	10.42%	3,458,588	452,769	13.17	0.70	1.83
<b>Totals</b>	<b>\$28,760,959</b>	<b>100.00%</b>	<b>\$34,183,622</b>	<b>\$5,136,231</b>			

## Texas District Contact Information

Name of Entity	Headquarters Location	Contact Number	Website
AgTexas Farm Credit Services	5004 N. Loop 289, Lubbock, Texas 79416	806-687-4068	<a href="http://www.agtexas.com">www.agtexas.com</a>
AgTrust Farm Credit, ACA	5600 Clearfork Main Street, Suite 600, Fort Worth, Texas 76109	817-332-6565	<a href="http://www.agtrustaca.com">www.agtrustaca.com</a>
Alabama Ag Credit, ACA	7480 Halcyon Pointe Drive, Suite 201, Montgomery, Alabama 36117	334-270-8687	<a href="http://www.alabamaagcredit.com">www.alabamaagcredit.com</a>
Alabama Farm Credit, ACA	300 2nd Avenue SW, Cullman, Alabama 35055	256-737-7128	<a href="http://www.alabamafarmcredit.com">www.alabamafarmcredit.com</a>
Capital Farm Credit, ACA	3902 South Traditions Drive, College Station, TX 77845	979-822-3018	<a href="http://www.capitalfarmcredit.com">www.capitalfarmcredit.com</a>
Central Texas Farm Credit, ACA	1026 Early Boulevard, Early, Texas 76802	325-643-5563	<a href="http://www.centraltexasfarmcredit.com">www.centraltexasfarmcredit.com</a>
Farm Credit Bank of Texas	4801 Plaza on the Lake Drive, Austin, Texas 78746	512-465-0400	<a href="http://www.farmcreditbank.com">www.farmcreditbank.com</a>
Legacy Ag Credit, ACA	303 Connally Street, Sulphur Springs, Texas 75482	903-885-9566	<a href="http://www.legacyaca.com">www.legacyaca.com</a>
Louisiana Land Bank, ACA	2413 Tower Drive, Monroe, Louisiana 71201	318-387-7535	<a href="http://www.louisianalandbank.com">www.louisianalandbank.com</a>
Mississippi Land Bank, ACA	5509 Highway 51 North, Senatobia, Mississippi 38668	662-562-9671	<a href="http://www.mslandbank.com">www.mslandbank.com</a>
Plains Land Bank, FLCA	600 S. Tyler Street, Suite 700, Amarillo, Texas 79101	806-353-6688	<a href="http://www.plainslandbank.com">www.plainslandbank.com</a>
Southern AgCredit, ACA	306 Commerce Center Drive, Ridgeland, Mississippi 39157	601-499-2820	<a href="http://www.southernagcredit.com">www.southernagcredit.com</a>
Texas Farm Credit Services	545 S. Highway 77, Robstown, Texas 78380	361-387-8563	<a href="http://www.texasfarmcredit.com">www.texasfarmcredit.com</a>



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