



## Farm Credit Southeast Missouri, ACA

Quarterly Report  
March 31, 2026

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Southeast Missouri, ACA and its subsidiaries, Farm Credit Southeast Missouri, FLCA and Farm Credit Southeast Missouri, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2025 (2025 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

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### FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2025 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

### AGRICULTURAL AND ECONOMIC CONDITIONS

**Land Values:** Average 2025 benchmark farmland value increased 0.6% compared to an increase of 4.3% and 15.4% in 2024 and 2023, respectively.

**Commodity Prices:** Commodity prices have increased considerably over prior year end while key input costs have also seen significant increases. The war with Iran has created upward volatility in energy and fertilizer markets that will likely offset any anticipated higher gross income and have a direct impact on 2026 crop margins. Many producers are reassessing their plans for the year and may be looking to shift some of their intended higher input cost crop acres, such as corn and cotton, over to soybean acres instead.

**Crop Conditions:** The first quarter of 2026 has been dry with less rainfall than normal. Although some producers have reported that ground moisture levels are low, the drier weather has allowed field work to be completed timely and early planting to begin. Wheat planted across the territory appears to be in good condition in its current stage of growth, but it is still too early to project yields which will be reported during harvest around the end of the second quarter of 2026.

### LOAN PORTFOLIO

#### Loan Portfolio

Total loans were \$878.7 million at March 31, 2026, a decrease of \$39.0 million from December 31, 2025. The decrease was primarily due to seasonal repayments on operating loans.

#### Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2025. Adversely classified loans increased to 6.3% of the portfolio at March 31, 2026, from 4.7% of the portfolio at December 31, 2025. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans. The increase in adversely classified loans was primarily due to credit quality downgrades on real estate mortgage, production and intermediate-term, and agribusiness loans during the first quarter of 2026, which increased the substandard credit quality category.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At March 31, 2026, \$26.5 million of our loans were substantially guaranteed under these government programs.

## Nonperforming Assets

### Components of Nonperforming Assets

(dollars in thousands)	March 31,	December 31,
As of:	2026	2025
Nonaccrual loans	\$ 19,595	\$ 12,055
Accruing loans 90 days or more past due	894	--
Total nonperforming loans	20,489	12,055
Other property owned	--	--
Total nonperforming assets	\$ 20,489	\$ 12,055
Total nonperforming loans as a percentage of total loans	2.3%	1.3%
Nonaccrual loans as a percentage of total loans	2.2%	1.3%
Current nonaccrual loans as a percentage of total nonaccrual loans	56.6%	49.7%
Total delinquencies as a percentage of total loans <sup>1</sup>	1.7%	0.9%

<sup>1</sup>Total delinquencies include accrual and nonaccrual loans 30 days or more past due.

Total nonperforming assets have increased from December 31, 2025. The increase is due to several years of ongoing stress in the farm economy. As the year continues, we expect to receive payoffs on existing nonaccrual loans.

The increase in nonaccrual loans was primarily due to certain real estate mortgage and production and intermediate-term loans that transferred to nonaccrual status during the first quarter of 2026.

The increase in accruing loans 90 days or more past due was due to the increase in the number of days past due on one loan fully guaranteed by the United States Department of Agriculture. Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection.

The increase in total delinquencies as a percentage of total loans was primarily due to an increase in past due production and intermediate-term loans.

## Allowance for Credit Losses on Loans

The allowance for credit losses on loans is an estimate of expected credit losses in our portfolio. We determine the appropriate level of allowance for credit losses on loans based on a disciplined process and methodology that incorporates expected probabilities of default and loss given default based on historical portfolio performance, forecasted economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions.

### Allowance for Credit Losses on Loans and Coverage Ratios

(dollars in thousands)	March 31,	December 31,
As of:	2026	2025
Allowance for credit losses on loans	\$ 5,407	\$ 5,849
Allowance for credit losses on loans as a percentage of:		
Loans	0.6%	0.6%
Nonaccrual loans	27.6%	48.5%
Total nonperforming loans	26.4%	48.5%

The decrease in allowance for credit losses on loans from December 31, 2025, was primarily related to decreased specific reserves on one production and intermediate-term loan during the first quarter of 2026. The decrease in the allowance for credit losses on loans as a percentage of nonaccrual loans was due to certain real estate mortgage and production and intermediate-term loans that transferred to nonaccrual status during the first quarter of 2026, and did not require a specific reserve as they were adequately secured.

## RESULTS OF OPERATIONS

### Profitability Information

(dollars in thousands)	2026	2025
For the three months ended March 31,		
Net income	\$ 4,122	\$ 1,261
Return on average assets	1.7%	0.5%
Return on average members' equity	7.4%	2.3%

Changes presented in the profitability information table relate directly to:

- Changes in net income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

<b>Changes in Significant Components of Net Income</b>			<b>(Decrease)</b>
(in thousands)			<b>increase in</b>
For the three months ended March 31,	<b>2026</b>	2025	<b>net income</b>
Net interest income	\$ 6,740	\$ 6,824	\$ (84)
Provision for credit losses	(373)	3,460	3,833
Non-interest income	1,689	980	709
Non-interest expense	4,502	3,680	(822)
Provision for (benefit from) income taxes	178	(597)	(775)
Net income	<u>\$ 4,122</u>	<u>\$ 1,261</u>	<u>\$ 2,861</u>

### **Provision for Credit Losses**

The "Provision for credit losses" in the Consolidated Statements of Income includes a provision for credit losses on loans as well as a provision for credit losses on unfunded commitments. The current period provision for credit losses is primarily due to less required specific reserves on loans that transferred to nonaccrual status and the reversal of specific reserves on one production and intermediate-term loan partially offset by an increase to the general allowance and loan charge offs during the first quarter of 2026.

### **Non-Interest Income**

The change in non-interest income was primarily due to patronage income and other non-interest income.

**Patronage Income:** We may receive patronage from AgriBank and other Farm Credit institutions. Patronage distributions from AgriBank and other Farm Credit institutions are declared solely at the discretion of each institution's Board of Directors. AgriBank may distribute patronage in the form of cash or stock. All other patronage from other Farm Credit institutions is typically distributed in cash.

<b>Patronage Income</b>		
(in thousands)		
For the three months ended March 31,	<b>2026</b>	2025
Patronage from AgriBank	\$ 1,115	\$ 673
Other patronage	35	20
Total patronage income	<u>\$ 1,150</u>	<u>\$ 693</u>

Patronage from AgriBank primarily includes wholesale patronage and asset pool program patronage.

**Other Non-Interest Income:** The increase in other non-interest income was primarily due to our share of the Allocated Insurance Reserve Accounts (AIRA) distribution received from the Farm Credit System Insurance Corporation (FCSIC) of \$403 thousand in 2026, compared to \$146 thousand in 2025. The AIRA was established by FCSIC when premiums collected increased the level of the Farm Credit Insurance Fund beyond the required 2% of Systemwide insured debt. Refer to the 2025 Annual Report for additional information about the FCSIC.

### **Non-Interest Expense**

The change in non-interest expense was primarily related to increases in salaries and incentives and purchased services.

### **Provision for (Benefit from) Income Taxes**

The change in provision for (benefit from) income taxes was primarily related to our estimate of taxes based on taxable income as of March 31, 2026, as compared to a net loss in our taxable entity as of March 31, 2025. Additionally, there was a smaller patronage deduction in 2026 which resulted in a higher tax expense.

## **FUNDING, LIQUIDITY, AND CAPITAL**

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on December 31, 2028. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. We also fund our portfolio from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at March 31, 2026, or December 31, 2025.

Total members' equity increased \$2.6 million from December 31, 2025, primarily due to net income for the period partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 7 in our 2025 Annual Report for a more complete description of these ratios.

**Regulatory Capital Requirements and Ratios**

As of:	March 31, 2026	December 31, 2025	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	18.5%	18.5%	4.5%	2.5%	7.0%
Tier 1 capital ratio	18.5%	18.5%	6.0%	2.5%	8.5%
Total capital ratio	19.1%	19.1%	8.0%	2.5%	10.5%
Permanent capital ratio	18.6%	18.6%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	19.6%	19.2%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	19.4%	19.0%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 11 in our 2025 Annual Report.

**CERTIFICATION**

The undersigned have reviewed the March 31, 2026, Quarterly Report of Farm Credit Southeast Missouri, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

/s/ Ed C. Marshall III  
 Chairperson of the Board  
 Farm Credit Southeast Missouri, ACA

/s/ Gregory M. Cunningham  
 President / Chief Executive Officer  
 Farm Credit Southeast Missouri, ACA

/s/ Michelle M. Beacham  
 Executive Vice President / Chief Financial and Operations Officer  
 Farm Credit Southeast Missouri, ACA

May 7, 2026

# CONSOLIDATED STATEMENTS OF CONDITION

*Farm Credit Southeast Missouri, ACA*  
(in thousands)

As of:	March 31, 2026	December 31, 2025
	<i>(Unaudited)</i>	
<b>ASSETS</b>		
Loans	\$ 878,657	\$ 917,696
Allowance for credit losses on loans	5,407	5,849
Net loans	873,250	911,847
Investment in AgriBank, FCB	38,073	38,073
Investment securities	15,649	17,131
Accrued interest receivable	18,650	27,110
Other assets	14,847	16,582
Total assets	\$ 960,469	\$ 1,010,743
<b>LIABILITIES</b>		
Note payable to AgriBank, FCB	\$ 725,072	\$ 768,629
Accrued interest payable	6,516	7,324
Patronage distribution payable	1,518	9,100
Other liabilities	4,773	5,731
Total liabilities	737,879	790,784
Contingencies and commitments (Note 4)		
<b>MEMBERS' EQUITY</b>		
Capital stock and participation certificates	1,648	1,643
Unallocated retained earnings	220,919	218,293
Accumulated other comprehensive income	23	23
Total members' equity	222,590	219,959
Total liabilities and members' equity	\$ 960,469	\$ 1,010,743

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

# CONSOLIDATED STATEMENTS OF INCOME

*Farm Credit Southeast Missouri, ACA*

*(in thousands)*

*(Unaudited)*

<i>For the periods ended March 31,</i>	<i>Three Months Ended</i>	
	<b>2026</b>	2025
<b>Interest income</b>	\$ 13,256	\$ 13,353
<b>Interest expense</b>	6,516	6,529
Net interest income	6,740	6,824
<b>Provision for credit losses</b>	(373)	3,460
Net interest income after provision for credit losses	7,113	3,364
<b>Non-interest income</b>		
Patronage income	1,150	693
Financially related services income	50	47
Fee income	68	83
Other non-interest income	421	157
Total non-interest income	1,689	980
<b>Non-interest expense</b>		
Salaries and employee benefits	2,398	1,748
Other operating expense	2,081	1,932
Other non-interest expense	23	—
Total non-interest expense	4,502	3,680
Income before income taxes	4,300	664
<b>Provision for (benefit from) income taxes</b>	178	(597)
Net income	\$ 4,122	\$ 1,261

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

## CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

*Farm Credit Southeast Missouri, ACA*

*(in thousands)*

*(Unaudited)*

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2024	\$ 1,660	\$ 216,076	\$ 27	\$ 217,763
Net income	--	1,261	--	1,261
Unallocated retained earnings designated for patronage distributions	--	(1,432)	--	(1,432)
Capital stock and participation certificates issued	34	--	--	34
Capital stock and participation certificates retired	(28)	--	--	(28)
<b>Balance at March 31, 2025</b>	<b>\$ 1,666</b>	<b>\$ 215,905</b>	<b>\$ 27</b>	<b>\$ 217,598</b>
Balance at December 31, 2025	\$ 1,643	\$ 218,293	\$ 23	\$ 219,959
Net income	--	4,122	--	4,122
Unallocated retained earnings designated for patronage distributions	--	(1,496)	--	(1,496)
Capital stock and participation certificates issued	37	--	--	37
Capital stock and participation certificates retired	(32)	--	--	(32)
<b>Balance at March 31, 2026</b>	<b>\$ 1,648</b>	<b>\$ 220,919</b>	<b>\$ 23</b>	<b>\$ 222,590</b>

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the three months ended March 31, 2026, are not necessarily indicative of the results to be expected for the year ending December 31, 2026. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2025 (2025 Annual Report).

#### Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of Farm Credit Southeast Missouri, ACA and its subsidiaries Farm Credit Southeast Missouri, FLCA and Farm Credit Southeast Missouri, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

#### Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business. While we are a nonpublic business entity, our financial results are closely related to the performance of the combined Farm Credit System (System). Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In September 2025, the FASB issued Accounting Standards Update (ASU) 2025-06 "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software." This guidance is effective for all entities for annual and interim periods beginning after December 15, 2027. Early adoption is permitted.	The standard includes several key changes: (1) eliminates the stage-based rules for capitalization, (2) replaces these rules with a principles-based framework where capitalization occurs when management has authorized and committed to funding, and it is probable that the project will be completed and the software used as intended, (3) clarifies website development costs, and (4) modifies the disclosure requirements for capitalized software costs.	We expect to adopt the standard as of January 1, 2028. The adoption of this guidance is not expected to have a material impact on our financial statements or disclosures.
In November 2025, the FASB issued ASU 2025-08, "Financial Instruments – Credit Losses (Topic 326) – Purchased Loans". This guidance is effective for annual and interim periods beginning after December 15, 2026. Early adoption is permitted.	The standard simplifies accounting for purchased loans by expanding the "gross-up" method to "purchased seasoned loans". This eliminates Day 1 credit loss expense for most acquired loans, improves comparability, and reduces earnings volatility.	We expect to adopt the standard as of January 1, 2027. We are currently assessing the impact of this standard on our financial statements and disclosures.
In December 2025, the FASB issued ASU 2025-11, "Interim Reporting (Topic 270): Narrow-Scope Improvements". This guidance is effective for annual and interim periods beginning after December 15, 2028. Early adoption is permitted.	The standard provides narrow-scope improvements to interim reporting guidance (Topic 270) to enhance clarity, navigability, and completeness of interim financial statements and disclosures, without fundamentally changing reporting requirements.	We expect to adopt the standard as of January 1, 2029. We are currently assessing the impact of this standard on our financial statements and disclosures.

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

#### Loans by Type

(dollars in thousands)

As of:	March 31, 2026		December 31, 2025	
	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	\$ 585,800	66.7%	\$ 586,794	64.0%
Production and intermediate-term	240,548	27.4%	281,940	30.7%
Agribusiness	39,524	4.5%	35,921	3.9%
Other	12,785	1.4%	13,041	1.4%
Total	\$ 878,657	100.0%	\$ 917,696	100.0%

The other category is composed of certain assets characterized as mission related investments, as well as rural residential real estate related loans.

Accrued interest receivable on loans is excluded from the amortized cost of loans. At March 31, 2026, and December 31, 2025, accrued interest receivable on loans totaled \$18.6 million and \$27.0 million, respectively, and is presented in "Accrued interest receivable" in the Consolidated Statements of Condition.

## Delinquency

### Aging Analysis of Loans at Amortized Cost

(in thousands)	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	Accruing Loans 90 Days or More Past Due
<b>As of March 31, 2026</b>						
Real estate mortgage	\$ 2,614	\$ 605	\$ 3,219	\$ 582,581	\$ 585,800	\$ --
Production and intermediate-term	4,313	6,410	10,723	229,825	240,548	--
Agribusiness	--	--	--	39,524	39,524	--
Other	47	894	941	11,844	12,785	894
<b>Total</b>	<b>\$ 6,974</b>	<b>\$ 7,909</b>	<b>\$ 14,883</b>	<b>\$ 863,774</b>	<b>\$ 878,657</b>	<b>\$ 894</b>
<b>As of December 31, 2025</b>						
Real estate mortgage	\$ 802	\$ 606	\$ 1,408	\$ 585,386	\$ 586,794	\$ --
Production and intermediate-term	269	5,226	5,495	276,445	281,940	--
Agribusiness	--	--	--	35,921	35,921	--
Other	983	--	983	12,058	13,041	--
<b>Total</b>	<b>\$ 2,054</b>	<b>\$ 5,832</b>	<b>\$ 7,886</b>	<b>\$ 909,810</b>	<b>\$ 917,696</b>	<b>\$ --</b>

## Nonaccrual Loans

### Nonaccrual Loans Information

(in thousands)	For the Three Months Ended		
	As of March 31, 2026		March 31, 2026
	Amortized Cost	Without Allowance	Interest Income Recognized
Nonaccrual loans:			
Real estate mortgage	\$ 6,456	\$ 6,313	\$ 33
Production and intermediate-term	10,551	5,701	252
Agribusiness	2,574	2,574	--
Other	14	14	--
<b>Total</b>	<b>\$ 19,595</b>	<b>\$ 14,602</b>	<b>\$ 285</b>
	For the Three Months Ended		
	As of December 31, 2025		March 31, 2025
	Amortized Cost	Without Allowance	Interest Income (Reversed) Recognized
Nonaccrual loans:			
Real estate mortgage	\$ 690	\$ 547	\$ (6)
Production and intermediate-term	8,724	2,863	244
Agribusiness	2,627	2,627	--
Other	14	14	--
<b>Total</b>	<b>\$ 12,055</b>	<b>\$ 6,051</b>	<b>\$ 238</b>

At the time the loans were transferred to nonaccrual status, write-offs of accrued interest receivable, as a reversal of interest income were not material for the three months ended March 31, 2026, or 2025.

## Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

Included within our loans are loan modifications; some of which are granted to borrowers experiencing financial difficulty. Modifications are one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant term extension, or other-than-insignificant payment deferrals. Other-than-insignificant term extensions are defined as those greater than or equal to six months. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Other-than-insignificant payment deferrals are defined as cumulative or individual payment delays greater than or equal to six months. Loans that both modify and are paid off or charged-off during the period, resulting in an amortized cost

balance of zero at the end of the period, are not included in the modification disclosures. We had no loans classified as modified loans at March 31, 2025.

#### Loan Modifications at Amortized Cost

(dollars in thousands)	Term	Percentage
	Extension	of Total
<b>For the three months ended March 31, 2026</b>		Loans
Production and intermediate-term	\$ 7,914	0.9%
Total	\$ 7,914	0.9%

#### Financial Effect of Loan Modifications

	Weighted
	Average Term
<b>For the three months ended March 31, 2026</b>	Extension (months)
Production and intermediate-term	
Term extension	12

There were no loans to borrowers experiencing financial difficulty that defaulted during the three months ended March 31, 2026, or 2025, in which the modifications were within twelve months preceding the default.

The following table presents the payment status at amortized cost of loans that have been modified for borrowers experiencing financial difficulty within twelve months of the respective reporting period.

#### Payment Status of Loan Modifications

(in thousands)	Not Past Due
	or Less Than 30
<b>As of March 31, 2026</b>	Days Past Due
Production and intermediate-term	\$ 8,857
Agribusiness	4,325
Total	\$ 13,182

  

	Not Past Due
	or Less Than 30
As of March 31, 2025	Days Past Due
Production and intermediate-term	\$ 392
Total	\$ 392

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was not material at March 31, 2026, or 2025.

Additional commitments were \$3.2 million at March 31, 2026, to lend to borrowers experiencing financial difficulty whose loans were modified during the three months ended March 31, 2026. There were no material commitments at December 31, 2025, to lend to borrowers experiencing financial difficulty whose loans were modified during the year ended December 31, 2025.

#### Allowance for Credit Losses

Our loan portfolio is divided into segments primarily based on loan type, which is used to estimate the allowance for credit losses. As our lending authorities limit the types of loans we can originate, our portfolio is concentrated in the agriculture sector. The credit risk associated with each of our portfolio segments includes a strong correlation to agricultural commodity prices and input costs. Specifically for our real estate mortgage segment, the value of agricultural land that serves as collateral is a key risk characteristic. Additionally, unemployment rates and gross domestic product levels are additional key risk characteristics attributable to our portfolio. We consider these characteristics, among others, in assigning internal risk ratings and forecasting credit losses on our loan portfolio and related unfunded commitments.

We develop our reasonable and supportable forecast by considering a multitude of macroeconomic variables. Our forecasts of United States (U.S.) net farm income, U.S. real gross domestic product, and the U.S. unemployment rate represent the key macroeconomic variables that most significantly affect the estimate of the allowance for credit losses on loans and unfunded commitments.

We utilize a single macroeconomic scenario in the estimate of the allowance for credit losses on loans and unfunded commitments which represents the most probable forecasted outcome. Subsequent changes in the macroeconomic forecasts will be reflected in the provision for credit losses in future periods.

**Changes in Allowance for Credit Losses**

(in thousands)

Three months ended March 31,	2026	2025
<b>Allowance for Credit Losses on Loans</b>		
Balance at beginning of period	\$ 5,849	\$ 2,109
Provision for credit losses on loans	(343)	3,430
Loan charge-offs	(99)	(26)
Balance at end of period	\$ 5,407	\$ 5,513
<b>Allowance for Credit Losses on Unfunded Commitments</b>		
Balance at beginning of period	\$ 80	\$ 30
Provision for credit losses on unfunded commitments	(30)	30
Balance at end of period	\$ 50	\$ 60
Total allowance for credit losses	\$ 5,457	\$ 5,573

The decrease in allowance for credit losses on loans from December 31, 2025, was primarily related to decreased specific reserves on one production and intermediate-term loan during the first quarter of 2026. The decrease in the allowance for credit losses on loans as a percentage of nonaccrual loans was due to certain real estate mortgage and production and intermediate-term loans that transferred to nonaccrual status during the first quarter of 2026, and did not require a specific reserve as they were adequately secured.

**NOTE 3: INVESTMENT SECURITIES**

We held investment securities of \$15.6 million at March 31, 2026, and \$17.1 million at December 31, 2025. Our investment securities consisted of pools of loans guaranteed by the Small Business Administration (SBA). All of our investment securities were fully guaranteed by the SBA at March 31, 2026, and December 31, 2025. Premiums paid to purchase investments are not guaranteed and are amortized as a reduction of interest income.

The investment securities have been classified as held-to-maturity and are evaluated for an allowance for credit losses. For securities that are guaranteed by the U.S. government or other governmental agencies, we have not recognized an allowance for credit losses on investment securities at March 31, 2026, or December 31, 2025, as our expectation of nonpayment of the amortized cost basis, based on historical losses, is zero.

Investment income is recorded in "Interest income" in the Consolidated Statements of Income and totaled \$132 thousand and \$281 thousand for the three months ended March 31, 2026, and 2025, respectively.

**Contractual Maturities of Investment Securities**

(in thousands)

As of March 31, 2026	Amortized Cost
One to five years	\$ 350
Five to ten years	5,882
More than ten years	9,417
Total	\$ 15,649

Actual maturity of the investment securities may be less than contractual maturity due to prepayments.

**NOTE 4: CONTINGENCIES AND COMMITMENTS**

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

Refer to Note 11 in our 2025 Annual Report for additional detail regarding contingencies and commitments.

**NOTE 5: FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2025 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at March 31, 2026, or December 31, 2025.

## Non-Recurring Basis

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We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

<b>Assets Measured at Fair Value on a Non-Recurring Basis</b>				
(in thousands)				
<b>As of March 31, 2026</b>	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	\$ --	\$ --	\$ 1,066	\$ 1,066
<b>As of December 31, 2025</b>	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans	\$ --	\$ --	\$ 1,529	\$ 1,529

## Valuation Techniques

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**Loans:** Represents the carrying amount of loans evaluated individually for credit losses and deemed to be collateral dependent. The carrying value amount is based on the estimated value of the underlying collateral, less costs to sell. When the fair value of the collateral, less costs to sell, is less than the amortized cost basis of the loan, a specific allowance for expected credit losses is established. Costs to sell represent transaction costs and are not included as a component of the collateral's estimated fair value. Typically, the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters and, therefore, are classified as Level 3 fair value measurements.

## NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 7, 2026, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.