FRESNO MADERA
FARM CREDIT

AGRICULTURE IS OUR ONLY BUSINESS

2025
ANNUAL REPORT

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OUR MISSION

To provide access to credit and related services to farmers and ranchers in our region as an efficient organization that delivers service with people that are passionate about creating the best possible customer experience to the generations of farmers and ranchers that we proudly serve.

OUR VISION

To be the premier lender of choice in our region.

OUR VALUES

Collaborative	**Strategic**
Committed	**Customer Focused**
Excellence	**Responsible**

LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors, management, and staff of Fresno Madera Farm Credit, I am pleased to report another year of solid financial performance and continued progress in advancing our strategic objectives. Our cooperative structure remains fundamental to our success, providing essential oversight through our Board of Directors while ensuring we stay true to our core mission: serving agriculture in our region.

OVERALL CONDITIONS

The 2025 operating environment presented our members with a unique combination of challenges, including elevated costs, evolving trade policies, and mixed commodity markets. While many of our members saw improved pricing for key commodities, particularly tree nuts, trade policy uncertainty and tariff-related disruptions created new headwinds for agricultural exports. Throughout these dynamics, our members demonstrated resilience, continuing to adapt their operations to changing conditions.

Farm, Processing, and Marketing Costs Remain Elevated

Our members continued to operate in a high-cost environment throughout 2025. While some input costs, including diesel and fertilizer, showed further moderation, they remained well above historical norms. Global supply chains continued to be influenced by geopolitical uncertainty, and the introduction of new tariff policies during the year added complexity to both input sourcing and product marketing. Labor availability was further strained by heightened immigration enforcement activity, which created uncertainty for agricultural workforce planning across the Central Valley. These factors, combined with elevated equipment and other operating costs, continued to place pressure on farm margins.

Water Availability

Water conditions in 2025 were characterized by regional disparity. While northern Sierra Nevada snowpack and reservoir levels were above average, the central and southern Sierra received below-average precipitation, creating challenges for San Joaquin Valley water users. Federal Central Valley Project allocations began the year modestly but improved through the growing season. Long-term water management remains a critical concern as implementation of the Sustainable Groundwater Management Act continues to shape access and planning for agricultural operations in our territory.

Gross Farm Revenues

Market conditions for our members varied significantly across commodity types during 2025. Tree nut pricing, particularly for almonds, showed meaningful improvement throughout the year, supported by reduced industry supplies and tighter global inventories. However, the full benefit of improved pricing was tempered by trade policy disruptions, with retaliatory tariffs from key export markets impacting demand for California tree nuts. Fresh produce operations continued to perform well, while the broader agricultural economy faced mixed results across crop categories. The smaller 2025 almond harvest, while challenging for individual growers, is expected to support continued price firmness heading into 2026. Agricultural land values experienced downward pressure in our region, particularly for permanent plantings in areas affected by groundwater management regulations, reflecting the combined effects of lower commodity returns and tighter financing conditions.

INTEREST RATES

The U.S. Federal Reserve Board held interest rates steady at five consecutive meetings from January through July 2025, maintaining the Fed Funds target range of 4.25%-4.50% established following rate cuts in late 2024. The Fed resumed rate reductions at its September meeting with a 0.25% cut to the Fed Funds Rate, followed by two additional 0.25% reductions in October and December, bringing the target range to 3.50%-3.75% by year-end. In total, the Fed reduced rates by 0.75% during 2025. While these reductions provided some relief to borrowing costs, rates remained above pre-pandemic levels throughout the year, and elevated borrowing costs continued to weigh on farm operating margins.

INVESTING IN OUR FUTURE

Our staff continues to work diligently each year to expand our capacity to meet your evolving needs. During 2025, we continued to invest in technology platforms and digital solutions that will enhance our service delivery and improve efficiency. These improvements, combined with our ongoing focus on staff development and succession planning, help ensure we maintain the capabilities needed to serve you effectively both today and in the future. As we look ahead, we'll continue implementing solutions that strengthen our operations while creating opportunities for more meaningful interactions with our members.

FINANCIAL RESULTS

Our 2025 financial results reflect both the reliability of our business model and our ongoing commitment to serving our members' needs. Despite a challenging operating environment for agriculture, we maintained solid performance across our key financial metrics.

Earnings

Earnings represent our most vital financial resource, as they provide the foundation for maintaining adequate capital levels, funding our allowance for credit losses, and making the necessary investments to serve our members' future needs. We are pleased to report that we continue to serve the membership with a strong overall financial position, as capital, earnings, and portfolio quality all remain at sound levels as of the fiscal year ended December 31, 2025.

Net Interest Income

Our net interest income increased by 8.38% from $43.9 million in 2024 to $47.6 million in 2025. The increase was driven by a 7.29% increase in our loans outstanding year over year, along with a decline in our cost of funds as interest rates decreased during the latter part of the year. Net interest income is the primary driver of our earnings, and the growth in 2025 was supported by continued expansion across multiple sectors of our loan portfolio.

Non-Interest Income

Loan and appraisal fees combined with patronage are the primary sources of our non-interest income. We receive patronage on loans we've sold to other Farm Credit institutions as well as from our direct note with our funding bank, CoBank. Overall, our non-interest income decreased modestly by 2.03%, reflecting a smaller Farm Credit Insurance Fund rebate compared to the prior year, partially offset by higher loan fees.

Non-Interest Expense

Operating expenses grew by 4.99% in 2025, reflecting continued investments in our workforce and technology infrastructure. Personnel costs increased as we maintained competitive compensation levels. We also saw higher technology expenses as we continued to enhance our systems and digital capabilities to better serve our members' evolving needs.

Credit Quality

The quality of our credit portfolio continues to reflect our disciplined lending practices and our commitment to agriculture. As of year-end 2025, 94.22% of our loan portfolio was classified as Acceptable or OAEM (potentially weak), compared to 94.61% in the prior year. Non-performing assets, which include non-accrual loans and loans 90 days or more past due, increased to 1.27% of total loans from 0.48% in 2024. This increase reflects the broader challenges facing certain agricultural sectors, including the cumulative effects of elevated input costs and periods of lower commodity pricing experienced in prior years. As a mission-focused lender, we understand that agriculture operates in cycles, and we remain committed to working with our members through varying market conditions while maintaining sound credit administration practices.

Net Income

Our 2025 financial performance reflects our continued operational strength. Net income increased modestly by 0.72% to $28.2 million, as growth in net interest income was partially offset by a higher provision for credit losses. Our focus remains on generating sustainable earnings that enable us to grow with our members – maintaining strong capital levels, investing in key capabilities, and supporting our patronage program. For the year, return on average assets was 1.55%, slightly below our board's target range of 1.60% to 1.80%.

CAPITAL AND PATRONAGE

In 2025, we continued to balance the need for strong capital with our commitment to a meaningful patronage program. Strong capital provides the foundation to support growth, absorb credit losses during challenging times, and maintain our lending capacity when our members need us most. Our patronage program remains a key differentiator of our cooperative model, reducing borrowing costs for our members.

Patronage

Through our cooperative structure's patronage program, when earnings are available for distribution, members receive their proportional share. For 2025, your Board of Directors approved a patronage distribution of $15.1 million, equivalent to 0.75% of each member's average loan balance and 53.6% of our net income. Over the past five years, the association has returned more than $80 million to the farmers, ranchers, and agribusinesses we serve. This distribution reflects careful consideration of both our current financial strength and future operational needs.

Capital

Our capital position continued to strengthen, with member equity growing to $343.8 million, a 3.76% increase from the prior year. Our Total Capital Ratio of 14.88% remains well above regulatory requirements and board-established targets. The quality of our capital is particularly strong, consisting primarily of unallocated retained earnings and common stock. This solid foundation positions us well for continued stability and growth.

SUMMARY

Our cooperative's success reflects the strength of our partnerships with members and the dedication of our team. Through changing market conditions and evolving challenges, including new trade policy dynamics and continued cost pressures, we remain focused on delivering value while maintaining the financial strength needed for long-term stability. We appreciate your trust in Fresno Madera Farm Credit and look forward to supporting your operations in the years to come.

Jeff Yribarren

JEFF YRIBARREN
Chairman of the Board
Fresno Madera Farm Credit, ACA
Fresno Madera PCA, FLCA

Keith Hesterberg

KEITH HESTERBERG
President and Chief Executive Officer
Fresno Madera Farm Credit, ACA
Fresno Madera PCA, FLCA

BOARD OF DIRECTORS

Jeff Yribarren
Board Chair

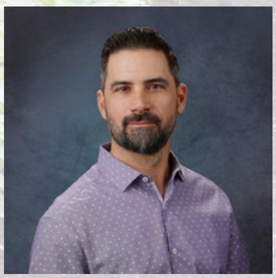
Paul Basila
Board Member

Jeff Boldt
Board Member

Scott Bursey
Board Member

Wayne Carstens
Board Member

Daniel Errotabere
Board Member



Robert Hansen
Board Member

Lance Shebelut
Board Member

Allan Kantrowitz
Appointed Director

Sandi Schmiesing
Appointed Director,
Vice Chair

Denise Waite
Appointed Director

EXECUTIVE COMMITTEE

Keith Hesterberg
President and Chief Executive Officer

Stephanie Graham
Executive Vice President, Chief Talent and Business Process Officer

Casey Baker
Executive Vice President, Chief Credit Officer

Ken Thomas
Executive Vice President, Chief Business Technology Officer

Juan Garcia
Executive Vice President, Chief Financial and Assurance Officer

Rob Bogdanovich
Executive Vice President, Chief Relationship and Markets Officer

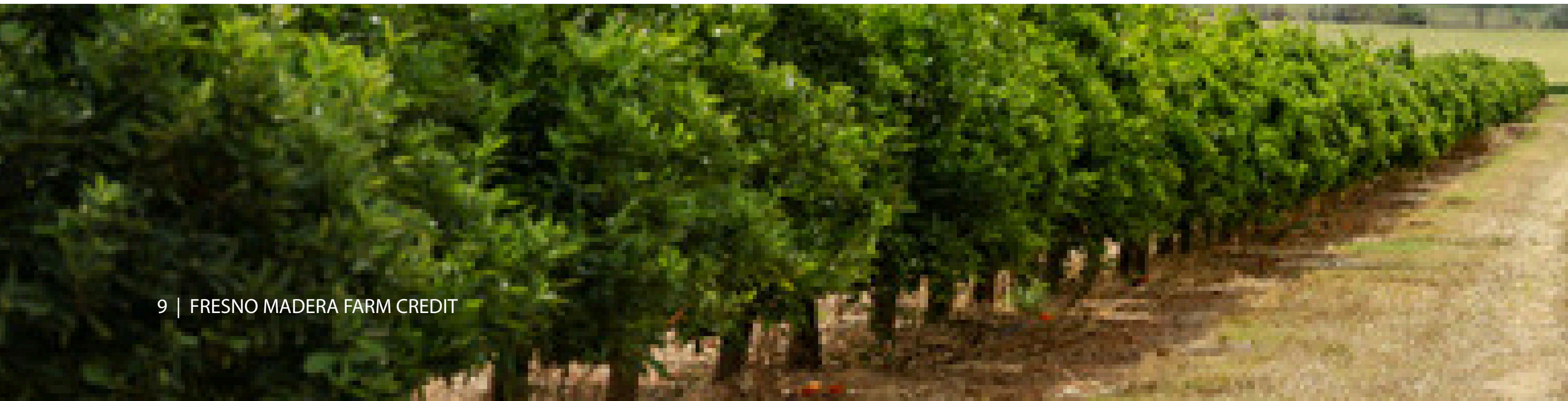
Ken Brown
Executive Vice President, Chief Appraisal Officer

2025 YEAR IN REVIEW

DOLLARS IN THOUSANDS

	2025	2024	2023	2022	2021
Patronage Distribution Declared	$15,101	$14,600	$19,355	$17,094	$14,121
Net Income	$28,159	$27,957	$26,639	$26,066	$24,922
Loan Principal	$1,800,159	$1,677,783	$1,562,832	$1,453,296	$1,351,411
Permanent Capital Ratio	14.67%	15.28%	16.24%	16.63%	16.81%
Total Regulatory Capital Ratio	14.88%	15.44%	16.40%	16.99%	17.21%
Return on Average Assets	1.55%	1.66%	1.69%	1.78%	1.80%
Efficiency Ratio	50.0%	50.7%	51.6%	50.0%	47.0%
Total Assets	$1,914,770	$1,795,585	$1,672,224	$1,553,343	$1,425,421
Total Member Capital	$343,755	$331,287	$317,947	$309,075	$300,110
Acceptable/OAEM Volume % of P&I	94.22%	94.61%	96.83%	98.64%[1]	98.97%[1]
Nonaccrual Loans as % of Total Loans	1.27%	0.34%	0.15%	0.14%	0.15%

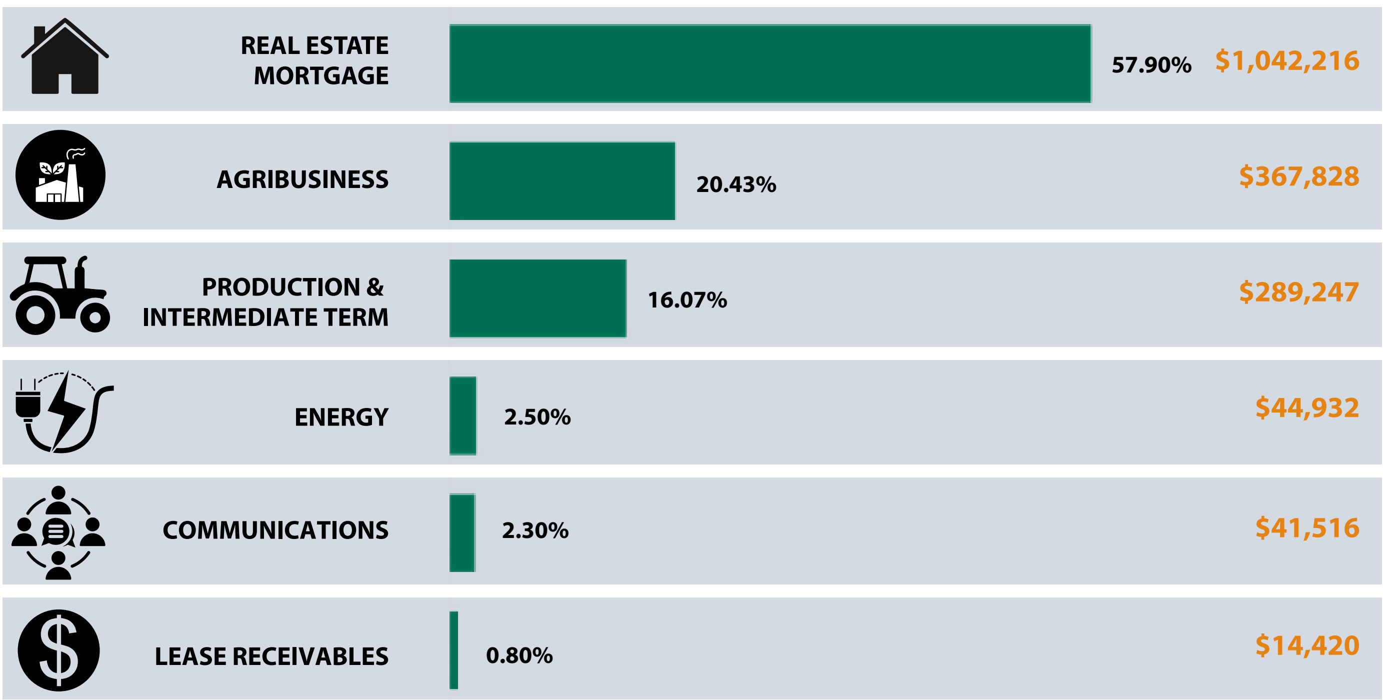
[1] Prior to the adoption of CECL on January 1, 2023, loans were presented with accrued interest receivables.

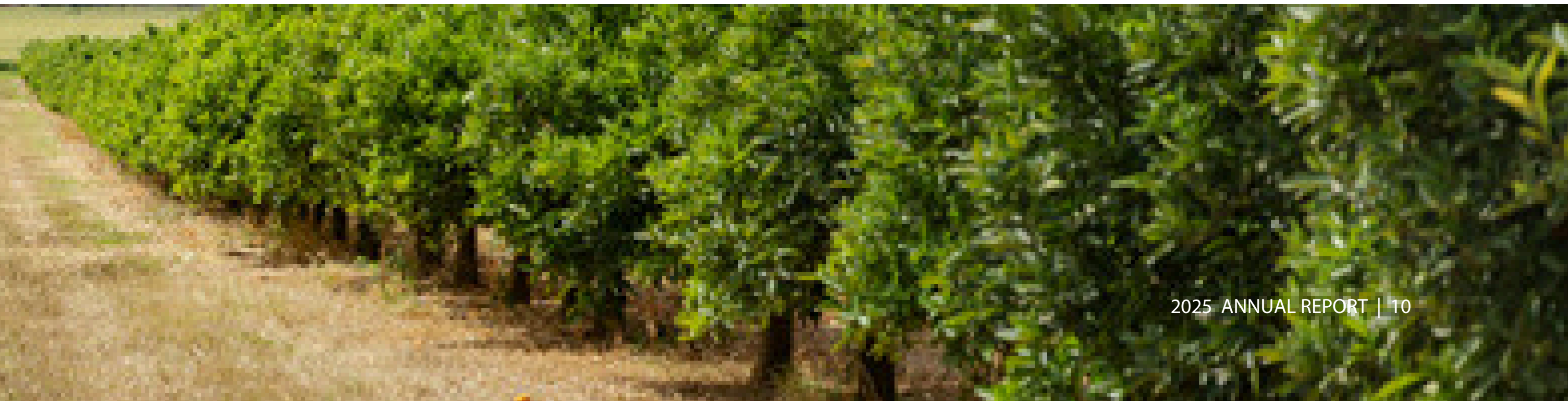


2025 LOAN VALUE BY COMPOSITION

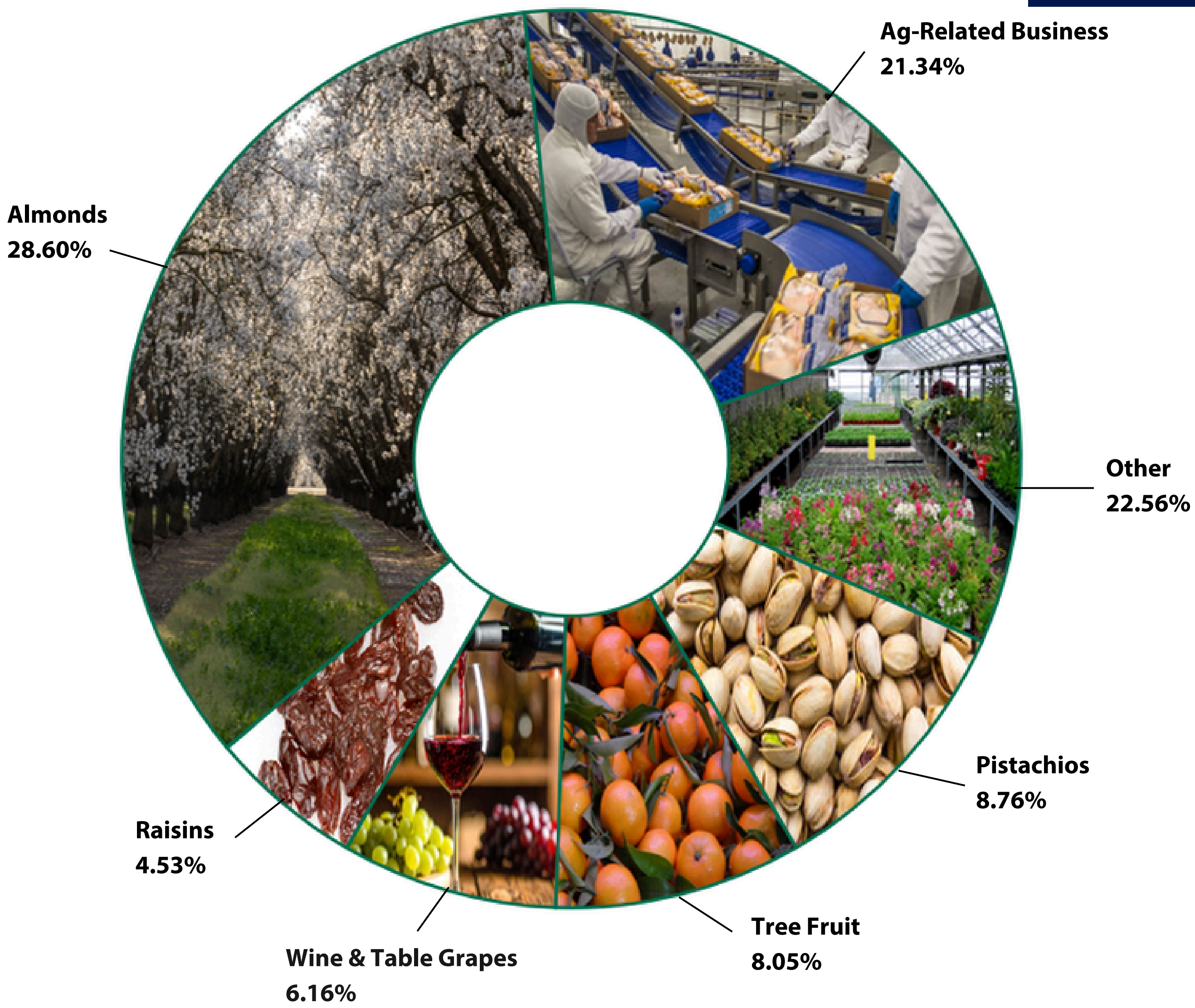
DOLLARS IN THOUSANDS

Fresno Madera Farm Credit's loan portfolio combines real estate, agribusiness, production, and specialized financing to serve the full range of agricultural needs in our region. This diversity underscores our continued commitment to strengthening the ag economy and helping members succeed across all areas of their operations.





2025 COMMODITIES FINANCED



Fresno Madera Farm Credit's portfolio continues to reflect the rich diversity of agriculture across Fresno and Madera counties. Known for their fertile soil and ideal climate, these Central Valley regions produce an impressive variety of crops. A continued focus on sustainability and innovation supports a thriving ag economy and strengthens California's position as a global agricultural leader.

2025 PATRONAGE DISTRIBUTION

In 2025, after meeting all the association's financial needs - including the need to capitalize planned loan growth and other future needs - the board approved a patronage distribution in the amount of $15.1 million. The $15.1 million patronage distribution represents 0.75% of member's average loans outstanding for 2025.

STRENGTHENING THE COMMUNITIES WE SERVE

In 2025, Fresno Madera Farm Credit deepened its roots in the community by contributing more than **$175,000** to **91 ag organizations** in our region.

Beyond financial support, our team gave more than **250 volunteer hours** to causes close to our hearts—helping educate the next generation of agricultural leaders and strengthening the communities we serve.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS

In February 2025, Fresno Madera Farm Credit participated in the Farm Credit System's Grow Your Future Forum in Salt Lake City, Utah—a three-day event connecting young, beginning, and small (YBS) farmers through networking, education, and hands-on learning. The forum brought together emerging agricultural leaders to exchange ideas, build relationships, and explore innovative farming practices. Attendees toured agricultural facilities around central Utah, gaining firsthand insights into modern and sustainable operations shaping the future of agriculture.

Learning and Inspiration at the Grow Your Future Forum

The conference featured a strong lineup of sessions designed to help producers strengthen and secure their operations for the long term. Topics included business resilience, financial success strategies, global ag economics, and estate transition planning through Land as Your Legacy. Attendees also learned more about the Farm Credit System and its vital role in supporting agriculture nationwide.

FMFC Team and Members Represent the Central Valley

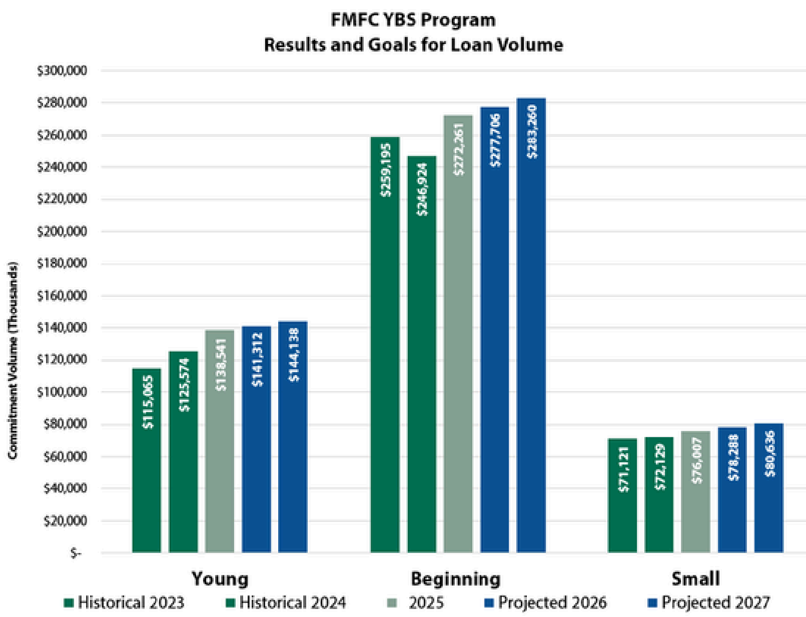
Fresno Madera Farm Credit was proud to send staff members Rob Bogdanovich and Jenhi Ciapponi, who attended alongside six FMFC YBS member-borrowers. The experience offered valuable opportunities for professional and personal growth—reinforcing FMFC's commitment to helping the next generation of farmers thrive.

Investing in Young, Beginning, and Small Farmers

FMFC remains deeply committed to supporting young, beginning, and small farmers who represent the future of farming in the Central Valley. The barriers to entry in agriculture—such as access to land, capital, and resources—are greater than ever before.

That's why FMFC works to guide and empower YBS farmers with financial tools, education, mentorship, and partnership to foster long-term growth and sustainability. By investing in the next generation of producers, FMFC is helping to ensure a strong and thriving agricultural community for years to come.

The FMFC YBS Program continues to show steady performance and growth across all categories reflecting resilience and upward momentum, a testament to the organization's ongoing commitment to supporting the next generation of agricultural producers in the Central Valley.



Growing with AgBizInfo

In August 2025, Fresno Madera Farm Credit joined AgBizInfo, a nationwide educational platform created by Farm Credit to support young, beginning, and small farmers and ranchers. Through this partnership, our members gain access to a variety of free educational materials—including articles, videos, podcasts, and business tools—designed to help them start, manage, and grow successful agricultural operations.

AG BIZINFO start. farm. grow.

AgBizInfo also helps connect aspiring and small-scale producers with local Farm Credit lenders and learning opportunities, fostering stronger relationships and providing valuable lead generation and outreach opportunities for our team. By participating in AgBizInfo, Fresno Madera Farm Credit continues its commitment to supporting the next generation of farmers and strengthening the future of agriculture in the Central Valley.

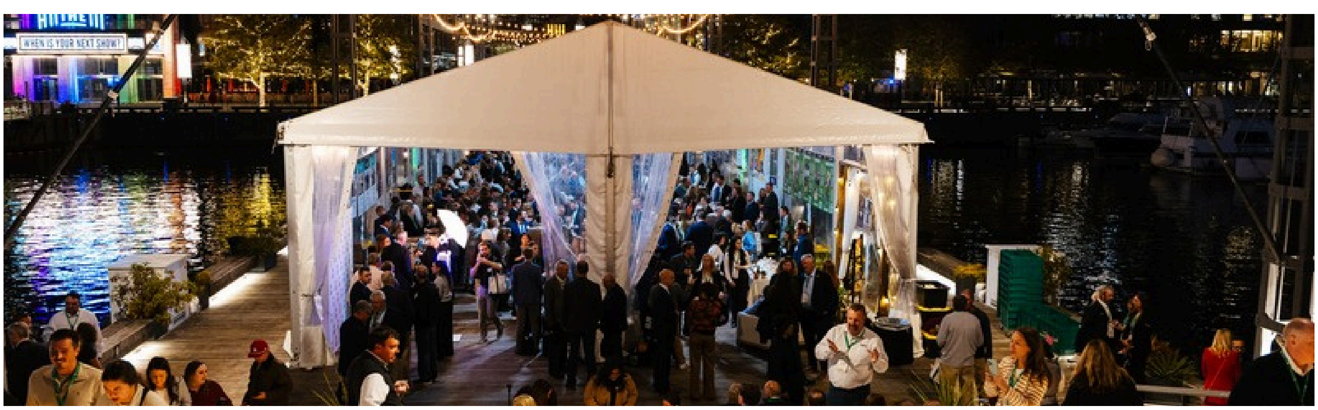
2025 FARM CREDIT FLY-IN

Members of Fresno Madera Farm Credit (FMFC) joined agricultural producers and industry peers in Washington, D.C. in November for the 2025 Farm Credit Fly-In. The event brought together hundreds of Farm Credit representatives from across the nation to meet with legislators, share the challenges facing rural communities, and advocate for policies that strengthen American agriculture. FMFC's delegation included Alyse Kubo, Relationship Manager; Randy Layne, Director of Relationship Management; and Matt Jura, Vice President of Operations at San Joaquin Figs, an FMFC member business. During two days of meetings, the team met with Rep. David Valadao (R-CA-22), Rep. Jim Costa (D-CA-21), Rep. Tom McClintock (R-CA-05), and Senator Adam Schiff (D-CA) to discuss Farm Credit's role in supporting rural economies and advancing bipartisan agricultural policy.

Advocating for a Strong Future in Ag Finance

Discussions centered around a streamlined 2025 Farm Bill that modernizes agricultural financing, strengthens rural communities, and enhances access to capital for producers. FMFC also promoted key legislation, including:

- The Producer and Agricultural Credit Enhancement (PACE) Act (S.899/H.R.1991): Updating Farm Service Agency loan limits to reflect today's economic realities.
- The Farm Credit Administration Independent Authority Act (H.R.1063): Preserving Farm Credit's independence and ensuring transparent oversight.
- The Investing in Rural America Act (H.R.1246): Expanding Farm Credit's ability to finance rural infrastructure, including health care facilities.



FMFC representatives also highlighted the challenges California producers face, from complex regulations to ongoing water concerns—urging lawmakers to prioritize practical, bipartisan solutions.

Showcasing Local Success at the Marketplace Reception

At the Marketplace Reception on the D.C. Wharf, FMFC and San Joaquin Figs co-hosted a booth that celebrated the story of their local success: the Jura Family, fourth-generation fig growers from Fresno County. Attendees enjoyed samples of dried figs while learning about the family's century-long farming legacy and the innovation driving their business forward.

The reception offered a unique opportunity for FMFC to engage with lawmakers, staffers, and ag leaders while showcasing how Farm Credit financing supports growth and innovation in California's Central Valley. Jura shared how Fresno Madera Farm Credit has supported these efforts with flexible lease and purchase options that help keep the operation moving forward, giving them confidence that San Joaquin Figs will remain strong for generations to come - with FMFC as a trusted partner.

FARM CREDIT FLY-IN

Celebrating the Best of American Agriculture

Continuing the Mission

The Fly-In reaffirmed Fresno Madera Farm Credit's commitment to advocating for rural prosperity and ensuring that local producers have a voice in shaping the future of U.S. agriculture. Through continued collaboration and strong representation in Washington, FMFC remains dedicated to helping farmers, ranchers, and ag businesses grow and succeed for generations to come.

REPORT OF MANAGEMENT

The consolidated financial statements of Fresno Madera Farm Credit, ACA (Association) are prepared and reviewed by management, who is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. In the opinion of management, the accompanying consolidated financial statements fairly present the financial condition and results of operations of the Association, in conformity with accounting principles generally accepted in the United States of America. Other financial information included in the 2025 Annual Report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. To monitor compliance, the Association engaged Deloitte & Touche LLP to test accounting records, review accounting systems and internal controls, and recommend improvements as appropriate in support of our internal audit function. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent auditors. The Association is also examined by the Farm Credit Administration.

The Audit Committee of the Board of Directors has overall responsibility for the Association's system of internal controls and financial reporting. The Audit Committee meets and consults regularly with management and the auditors to review the manner in which these groups are performing their responsibilities and to carry out the Board's oversight role with respect to auditing, internal controls, and financial reporting matters. The independent auditors also have direct access to the Audit Committee.

The undersigned certify that the Fresno Madera Farm Credit, ACA 2025 Annual Report has been prepared and reviewed in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

March 16, 2026

Denise Waite
Denise Waite
Audit Committee Chair

Keith Hesterberg
Keith Hesterberg
President and Chief Executive Officer

Wayne Carstens
Wayne Carstens
Audit Committee Vice Chair

Juan Garcia
Juan Garcia
Executive Vice President, Chief Financial and Assurance Officer

Jeff Yribarren
Jeff Yribarren
Chairman of the Board

Robert Hansen
Robert Hansen
Audit Committee Member

Paul Basila
Paul Basila
Audit Committee Member

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The principal executives and principal financial officers of Fresno Madera Farm Credit, ACA (Association) are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's consolidated financial statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the Association's principal executives and principal financial officers, and effected by its Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes 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 Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Association's assets that could have a material effect on its consolidated financial statements.

Management has completed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2025. In making the assessment, management used the framework in Internal Control — Integrated Framework (2013), promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of December 31, 2025, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2025.

March 16, 2026

Keith Hesterberg
Keith Hesterberg
President and Chief Executive Officer

Juan Garcia
Juan Garcia
Executive Vice President Chief Financial and Assurance Officer

AUDIT COMMITTEE REPORT

The Audit Committee (Committee) is comprised of four members from the Board of Directors of Fresno Madera Farm Credit, ACA (Association). In 2025, seven Committee meetings were held. The Committee oversees the scope of the Association's internal audit program, the independence of the outside auditors, the adequacy of the Association's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The Committee's responsibilities are described more fully in the Internal Controls Policy and the Audit Committee Charter.

The Committee approved the appointment of PricewaterhouseCoopers LLP (PwC) as the Association's independent auditors for 2025. The fees for professional services rendered for the Association by its independent auditor, PwC, during 2025 were $216,700 for audit services and $24,500 for tax services. The Committee reviewed the non-audit services provided by PwC and concluded these services were not incompatible with maintaining the independent auditor's independence.

Management is responsible for the Association's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. PwC is responsible for performing an independent audit of the Association's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Committee's responsibilities include monitoring and overseeing these processes.

In this context, the Committee reviewed and discussed the Association's Quarterly Reports and the Association's audited financial statements for the year ended December 31, 2025 (the "Financial Statements") with management. The Committee also reviews with PwC the matters required to be discussed by Statements on Auditing Standards. Both PwC and the Association's internal auditors directly provide reports on significant matters to the Committee.

Based on the foregoing review and discussions and relying thereon, the Committee recommended that the Board of Directors include the Financial Statements in the Association's Annual Report to Shareholders for the year ended December 31, 2025 and for filing with the Farm Credit Administration.

March 16, 2026

Denise Waite

Denise Waite, Audit Committee Chair

Audit Committee Members

Denise Waite, Audit Committee Chair
Wayne Carstens, Audit Committee Vice Chair
Robert Hansen, Audit Committee Member
Paul Basila, Audit Committee Member
Jeff Yribarren, Chairman of the Board

FIVE-YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA

Dollars in thousands, Unaudited

	December 31				
	2025	2024	2023	2022	2021
Consolidated Statements of Condition Data					
Loans	$ 1,800,159	$ 1,677,783	$ 1,562,832	$ 1,453,296	$ 1,351,411
Less: allowance for credit losses	5,279	3,401	3,038	5,935	7,012
Net loans	1,794,880	1,674,382	1,559,794	1,447,361	1,344,399
Investment in CoBank, ACB	47,317	42,976	39,788	39,833	40,876
Other assets	72,573	78,227	72,642	66,149	40,146
Total assets	$ 1,914,770	$ 1,795,585	$ 1,672,224	$ 1,553,343	$ 1,425,421
Obligations with maturities of one year or less	$ 1,569,741	$ 1,463,515	$ 1,353,436	$ 1,243,531	$ 1,124,436
Obligations with maturities longer than one year	1,008	624	590	496	498
Reserve for unfunded commitments	266	159	251	241	377
Total liabilities	1,571,015	1,464,298	1,354,277	1,244,268	1,125,311
Capital stock and participation certificates	708	703	720	753	760
Unallocated retained earnings	343,642	330,584	317,227	308,322	299,350
Accumulated other comprehensive loss	(595)	-	-	-	-
Total members' equity	343,755	331,287	317,947	309,075	300,110
Total liabilities and members' equity	$ 1,914,770	$ 1,795,585	$ 1,672,224	$ 1,553,343	$ 1,425,421

	For the Year Ended December 31				
	2025	2024	2023	2022	2021
Consolidated Statements of Income Data					
Net interest income	$ 47,556	$ 43,880	$ 40,351	$ 37,314	$ 35,008
Patronage distribution from Farm Credit institutions	11,593	11,838	11,265	10,752	9,795
Provision for credit losses (credit loss reversal)	2,205	459	(940)	(1,063)	(391)
Noninterest expense, net	28,783	27,300	25,915	23,061	20,270
Provision for income taxes	2	2	2	2	2
Net income	$ 28,159	$ 27,957	$ 26,639	$ 26,066	$ 24,922
Key financial ratios for the year					
Return on average assets	1.55%	1.66%	1.69%	1.78%	1.80%
Return on average members' equity	8.06%	8.32%	8.14%	8.29%	8.23%
Net interest income as a percentage of average earning assets	2.77%	2.77%	2.72%	2.69%	2.66%
Net charge-offs (recoveries) as a percentage of average loans	0.02%	<0.01%	<0.01%	<0.01%	(<0.01%)
Key financial ratios at year end					
Members' equity as a percentage of total assets	17.95%	18.45%	19.01%	19.90%	21.05%
Debt as a ratio to members' equity	4.57:1	4.42:1	4.26:1	4.03:1	3.75:1
Allowance for credit losses as a percentage of loans	0.29%	0.20%	0.19%	0.41%	0.52%
Common equity tier 1 (CET1) capital ratio	14.64%	15.25%	16.21%	16.57%	16.74%
Tier 1 capital ratio	14.64%	15.25%	16.21%	16.57%	16.74%
Total capital ratio	14.88%	15.44%	16.40%	16.99%	17.21%
Tier 1 leverage ratio	16.70%	17.42%	18.73%	18.97%	19.41%
Unallocated retained earnings (URE) and URE equivalents (UREE) leverage ratio	16.66%	17.38%	18.68%	18.92%	20.64%
Permanent capital ratio	14.67%	15.28%	16.24%	16.63%	16.81%
Other					
Cash patronage distributions declared	$ 15,101	$ 14,600	$ 19,355	$ 17,094	$ 14,121
Cash patronage distributions paid	$ 14,600	$ 19,355	$ 17,094	$ 14,121	$ 9,387

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unaudited

INTRODUCTION

The following discussion summarizes the financial position and results of operations of Fresno Madera Farm Credit, ACA (Association) as of and for the year ended December 31, 2025. Comparisons with prior years are included. We have emphasized material known trends, commitments, events, or uncertainties that have impacted, or are reasonably likely to impact, our financial condition and results of operations. The discussion and analysis should be read in conjunction with the accompanying consolidated financial statements, footnotes, and other sections of this report. The accompanying consolidated financial statements were prepared under the oversight of our Audit Committee. Management's Discussion and Analysis includes the following sections:

- Business Overview
- Economic Overview
- Results of Operations
- Loan Portfolio
- Credit Risk Management
- Liquidity
- Capital Resources
- Capital Plan and Regulatory Requirements
- Critical Accounting Policies and Estimates
- Forward-Looking Statements

Our quarterly reports to members are available approximately 40 days after the calendar quarter end and annual reports are available approximately 75 days after the calendar year end. The reports may be obtained free of charge on our website, www.fmfarmcredit.com, or upon request. We are located at 4635 West Spruce, Fresno, California 93722 or may be contacted by calling (559) 277-7000.

BUSINESS OVERVIEW

Farm Credit System Structure and Mission

As of December 31, 2025, we are one of 55 associations in the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 100 years. The System's mission is to provide sound and dependable credit to American farmers, ranchers, and producers or harvesters of aquatic products and farm-related businesses through a member-owned cooperative system. This is accomplished by providing loans and financial services. Through its commitment and dedication to agriculture, the System continues to have the largest portfolio of agricultural loans of any lender in the United States. The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow, and financial services which can be provided by the Association. The Farm Credit Administration (FCA) is the System's independent safety and soundness federal regulator and was established to supervise, examine, and regulate System institutions.

Our Structure and Focus

As a cooperative, we are owned by the members we serve. Members are farmers, ranchers, rural residents, and agribusinesses under eligibility as prescribed in the Farm Credit Act. Members of the Association include all holders of legal title to capital stock or participation certificates of the Association. The territory we serve extends across a diverse agricultural region of the San Joaquin Valley in California, specifically within Fresno and Madera counties. We provide production and intermediate-term loans for agricultural production or operating purposes and long-term real estate mortgage loans. Additionally, we provide other related services to our borrowers, such as funds held accounts, credit life insurance, multi-peril crop and crop hail insurance, lease placement, and appraisal services. Our success begins with our extensive agricultural experience and knowledge of the market and is dependent on the level of satisfaction we provide to our borrowers.

As part of the System, we obtain the funding for our lending and operations from one of the four banks in the System — CoBank, ACB (CoBank). In addition to providing lines of credit, CoBank is responsible for providing oversight to ensure compliance with its general financing agreements with the Association and each subsidiary.

We, along with the borrower's investment in our Association, are materially affected by CoBank's financial condition and results of operations. The CoBank quarterly and annual reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at 4635 West Spruce, Fresno, California 93722 or calling (559) 277-7000. Annual reports are available within 75 days after year end and quarterly reports are available within 40 days after the calendar quarter end.

We purchase technology and other operational services from Financial Partners, Inc. (FPI), which is a technology service corporation. Additionally, we purchase payroll and human resource services from Farm Credit Foundations, a human resource service provider for a number of Farm Credit institutions.

ECONOMIC OVERVIEW

The Agricultural Improvement Act of 2018 (the "2018 Farm Bill") originally authorized many federal farm and food programs through FY2023. Congress then extended the 2018 Farm Bill multiple times: first, via the Further Continuing Appropriations and Other Extensions Act, 2024 through September 30, 2024; next, via the American Relief Act, 2025 through September 30, 2025; and most recently, via the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026 for one additional year at existing funding levels through September 30, 2026. This latest extension allows critical producer support to continue, including commodity and disaster assistance authorities, conservation and loan-related programs, and crop insurance; while Congress works toward full reauthorization. In addition to extending Farm Bill authorities, recent legislation has also provided one-time emergency agricultural relief funding to address weather-related disasters, market disruptions, and elevated input costs, which has supported near-term producer liquidity but does not alter the underlying Farm Bill program structure. The 2018 Farm Bill also amended the Farm Credit Act framework to provide greater statutory guidance for the Farm Credit System Insurance Corporation's conservatorship/receivership role (including tools such as marshalling and liquidating assets, satisfying creditor claims, and interim funding mechanisms such as bridge System banks), and FCA has since updated implementing regulations for these authorities.

California's Agricultural Environment Overview

In recent years, many agricultural sectors have faced economic headwinds affecting credit quality. Persistent inflation has kept key input and operating costs elevated, while debt service costs remain meaningfully higher than pre-2022 levels, even after late-2025 interest rate cuts. Labor availability/cost pressures and ongoing regulatory compliance costs continue to weigh on operating margins, and profitability remains sensitive to commodity price volatility and weather variability. Water conditions have improved recently, with the U.S. Drought Monitor reporting all of California drought-free as of January 20, 2026, but longer-term constraints (including groundwater sustainability implementation) still influence production risk and operating flexibility.

California agriculture remains a major contributor to the state's economy, with recent farm and ranch cash receipts modestly higher than the prior year. While improved market conditions have supported stronger pricing and margins in some commodities, other segments continue to face weaker demand and profitability pressures. Overall, despite pockets of improvement, the industry remains challenged by elevated operating and financing costs, and we continue to expect mixed performance across commodities with a generally cautious outlook for credit quality. Additional commodity details can be found in the Portfolio Diversification section.

Water Availability

Water availability remains a critical long-term concern in the San Joaquin Valley, where growers depend on a complex water distribution system for crop irrigation. This system includes two primary water sources: pumped groundwater and surface water deliveries from reservoirs and canals that channel runoff from regions with higher rainfall and snow. Several factors influence water availability, including:

- Annual precipitation rates that in drought years may not be sufficient to fill the reservoirs that capture the spring runoff;
- Ground water legislation referred to as the Sustainable Groundwater Management Act (SGMA);
- Critical issues related to environmental demands and regulatory restrictions of water;
- Ground water quality requirements for dairy and ag processing businesses; and
- Continued challenges related to increased competition for existing water supplies by metropolitan / industrial users, quality control, and fisheries.

After several very wet years improved statewide storage and short-term drought conditions, the 2025–26 water year began with a strong late-December storm sequence that materially boosted supplies. As of December 31, 2025, California's Department of Water Resources (DWR) reported major reservoirs at 123% of average, while the first manual Sierra snow survey showed the statewide snowpack at 71% of average, a better position than early December, though still below normal and highly dependent on additional storms through winter and early spring. Due to the elevated pumping of groundwater, the State of California passed the Sustainable Groundwater Management Act (SGMA) in 2014 to regulate groundwater usage. It aims to achieve sustainable groundwater management by requiring that groundwater basins be managed to avoid overdraft, land subsidence, and other undesirable results. The law mandates that local agencies, called Groundwater Sustainability Agencies (GSAs), develop and implement Groundwater Sustainability Plans (GSPs) to achieve sustainability goals by January 31, 2040. These plans must be reviewed and approved by California's Department of Water Resources (DWR).

As of December 31, 2025, the GSPs that cover the majority of the Association's loan servicing area (LSA) have been approved, with the level of pumping restrictions in line or lower than originally anticipated. While GSPs are subject to periodic review by California's DWR and requirements will change based on actual conditions, the approval of the plans minimized some concern relative to the availability of groundwater to support surface allocations and brought some stability when assessing water scarcity risk.

Land Value Trends in the San Joaquin Valley

The San Joaquin Valley continues to experience downward pressure on permanent planting and open land values primarily due to elevated interest rates, tight operating margins, high input costs, and increased awareness of the impacts of SGMA (specifically increased water costs and decreased water availability). The softening land values are especially evident in the Southern San Joaquin Valley, Westside almond orchards, and "white areas" (lands entirely reliant on pumped groundwater for irrigation). Additionally, brokers are reporting resistance to current listing prices, and it appears many sellers are reluctant to accept the softening value trend in these areas. Sales data in these markets is currently limited; however, recent marketing periods, lower offers, and limited transactions in the marketplace appear to support this softening trend.

Management views the risks associated with drought conditions, regulations related to the implementation of SGMA, and softening land values as risks that could lead to deterioration within the loan portfolio. While the full effects of the legislation continue to develop, management anticipates the areas within our LSA subject to more stringent pumping restrictions may experience long-term negative impacts, including diminished cash flow and greater volatility of the value of the real property that secures our long-term loans. Management is closely monitoring the status of the sustainability plans and continues to evolve our underwriting practices to ensure that water scarcity risk is properly identified and analyzed when loans are originated.

RESULTS OF OPERATIONS

Net income for the year ended December 31, 2025, was $28.2 million, compared to $28.0 million and $26.6 million for 2024 and 2023, respectively.

The following table reflects key performance results as of December 31:

($ in thousands)	2025	2024	2023
Net income	$ 28,159	$ 27,957	$ 26,639
Net interest income	$ 47,556	$ 43,880	$ 40,351
Net interest margin	2.77%	2.77%	2.72%
Return on average assets	1.55%	1.66%	1.69%
Return on average members' equity	8.06%	8.32%	8.14%

Change in the significant components impacting the results of operations are summarized in the following table:

($ in thousands)	2025 vs. 2024	2024 vs. 2023
Net income, prior year	$ 27,957	$ 26,639
Increase (decrease) due to:		
Interest income	(1,352)	10,680
Interest expense	5,028	(7,151)
Net interest income	3,676	3,529
Provision for credit losses	(1,746)	(1,399)
Noninterest income	(276)	1,267
Noninterest expense	(1,452)	(2,079)
Total increase in net income	202	1,318
Net income, current year	$ 28,159	$ 27,957

Net Interest Income

Net interest income for 2025 totaled $47.6 million, reflecting an increase from $43.9 million in 2024 and $40.4 million in 2023. This represents year-over-year growth of $3.7 million, or 8.38%, driven primarily by higher average loan volume and increased earnings from invested capital. Net interest income is the primary driver of our earnings and is influenced by three key factors: the volume of interest-earning assets, yields on those assets, and the cost of funding. Growth in 2025 was supported by continued expansion of our loan portfolio, particularly in the production and intermediate-term, agribusiness, and communications sectors.

The following table provides an analysis of the individual components of the change in net interest income during 2025 and 2024:

($ in thousands)	2025 vs. 2024	2024 vs. 2023
Net interest income, prior year	$ 43,880	$ 40,351
Increase (decrease) due to:		
Interest rates earned	(10,385)	3,222
Interest rates paid	10,641	(1,841)
Net volume of interest-bearing assets and liabilities	3,289	2,022
Interest income on nonaccrual loans	131	126
Increase in net interest income	3,676	3,529
Net interest income, current year	$ 47,556	$ 43,880

Net interest margin remained consistent with the prior year at 2.77%, primarily reflecting higher average loan volume and increased earnings from invested capital. Our loan portfolio continues to be well diversified in Variable, Indexed Rate, and Fixed Rate loan products.

Provision for Credit Losses (Credit Loss Reversal)

We monitor our loan portfolio on a regular basis to determine if any increase through provision for credit losses or decrease through a credit loss reversal in our allowance for credit losses is warranted based on our estimate of credit losses over the remaining expected life of loans. The Association recorded provisions for credit losses of $2.2 million in 2025 and $459 thousand in 2024, compared to a credit loss reversal of $940 thousand in 2023. The increase in the provision was driven by higher specific reserves on individually evaluated loans exhibiting signs of deterioration, along with increased loan volume. Further discussion of the provision for credit losses can be found in Note 3, "Loans and Allowance for Credit Losses," of the accompanying consolidated financial statements.

Noninterest Income

Noninterest income totaled $13.4 million in 2025, compared to $13.6 million and $12.4 million in 2024 and 2023, respectively. The primary driver of noninterest income is patronage distributions, which include patronage earnings from direct borrowings with CoBank and income from loan participation activity with CoBank and other Farm Credit associations. The year-over-year decrease in noninterest income was primarily driven by a reduction in patronage distributions from other Farm Credit institutions and a lower premium refund from the Farm Credit System Insurance Corporation ("FCSIC"). These declines were partially mitigated by increased loan fee income, bolstered by higher unused commitment fees resulting from the capital markets portfolio.

Patronage distributions from CoBank remain our primary source of noninterest income. Patronage is accrued in the year earned and received in cash and stock distributions from CoBank in the following year. Patronage earned from CoBank was $9.3 million in 2025, compared to $9.0 million and $8.8 million in 2024 and 2023, respectively. This accounted for 69.66% of total noninterest income in 2025, compared to 65.81% in 2024 and 71.20% in 2023.

In addition to CoBank, we receive patronage income from other Farm Credit entities, including loan participation activities with Farm Credit associations and distributions from Farm Credit Foundations, the organization that provides payroll and human resource services to Farm Credit institutions. Patronage from these entities and CoBank are included in Patronage distribution from Farm Credit institutions on the Consolidated Statements of Income.

Noninterest Expense

In 2025, noninterest expense increased $1.4 million, or 4.99%, to $30.5 million, compared to $29.1 million in 2024, primarily due to higher salaries and employee benefits and increased information technology expenses. Salaries and employee benefits increased primarily as a result of planned staff additions and annual merit increases. Information technology expenses increased due to planned service charge increases from the Association's technology provider, coupled with higher software licensing fees.

LOAN PORTFOLIO

Total loans outstanding were $1.80 billion at December 31, 2025, an increase of $122.4 million, or 7.29%, from total loans at December 31, 2024 of $1.68 billion. Our loan volume increase was driven by new loan originations along with increased utilization of existing loan commitments primarily in our production and intermediate-term, agribusiness, and communications segments of the portfolio. The types of outstanding loans are reflected in the following table.

As of December 31	2025	2024	2023
Real estate mortgage	57.90%	62.16%	61.91%
Agribusiness	20.43%	17.42%	16.52%
Production and intermediate-term	16.07%	15.67%	17.26%
Energy	2.50%	2.08%	2.38%
Communications	2.30%	1.67%	0.83%
Lease receivables	0.80%	1.00%	1.10%
Total	100.00%	100.00%	100.00%

Real estate mortgage loans account for 57.90% of total loan volume, which represents a decrease of $662 thousand over the previous year. The decrease is attributed to repayment of term debt obligations and a reduction in new real estate transaction activity in our loan service area . These long-term mortgage loans are primarily used to purchase, refinance, or improve real estate. These loans have maturities ranging from 5 to 40 years.

The agribusiness segment accounted for 20.43% of our total loan portfolio, which is higher than prior year. The total loan volume in this category increased by $75.6 million as a result of new loan originations along with increased utilization on revolving lines of credit in the existing portfolio. Agribusiness loans are primarily made to finance the throughput of agricultural goods to the marketplace. These loans consist of long-term mortgages on processing facilities and equipment as well as short- and intermediate-term loans and operating lines of credit.

Production and intermediate-term loans account for 16.07% of total loan volume. Volume in this category increased by $26.4 million as a result of new loan commitments along with increased utilization of seasonal lines of credit. Production loans are used to finance the timing gaps that exist in the production cycle for agricultural producers, which is typically 12 months. Intermediate-term loans are generally used to finance depreciable capital assets of a farm or ranch. Intermediate-term loans are written for a specific term, 1 to 15 years, with most loans being less than 10 years.

Portfolio Diversification

We provide loans and financially related services to qualified borrowers in agricultural and rural sectors and to certain related entities. We manage this risk of being a single industry lender through strong credit administration and portfolio diversification. Our loan portfolio is diversified to mitigate this risk through utilization of loan participations purchased and sold, as well as diversification in geographic locations served, commodities financed, and loan size, as illustrated in the following four tables.

In order to meet the growing needs of our membership, we maintain strategic relationships that allow for the purchase of loan assets to generate additional earnings and diversify risk related to existing commodities financed and our geographic area served. In addition, we sell a portion of certain large loans to other System entities to manage risk related to individual loan concentrations and comply with regulatory and internal lending limits. We have no loans sold with recourse, retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interests that are held in lieu of retaining a subordinated participation interest in the loans sold.

Total volume in participations purchased and sold as of December 31 follows:

($ in thousands)	2025	2024	2023
Purchased	670,262	542,031	487,619
Sold	(506,306)	(451,281)	(509,819)

We primarily serve Fresno and Madera counties in the state of California. We also make loans outside of our chartered territory in accordance with concurrence agreements with other Farm Credit associations; these loans are included in "Other" in the following table, along with purchased participation volume. The geographic distribution of the loan portfolio by county as of December 31 is as follows:

	2025	2024	2023
Fresno	31.03%	33.10%	35.31%
Madera	15.55%	16.86%	15.40%
Other	53.42%	50.04%	49.29%
Total	100.00%	100.00%	100.00%

As a percentage of the portfolio, loans originated in Fresno County and Madera County decreased by 2.07% and 1.31%, respectively, compared to the prior year. Loans outside of our chartered territory were diversified within geographic locations with no concentration in any one county at or exceeding 10% of total loan volume.

Commodity and industry categories are based on the Standard Industrial Classification System (SIC) published by the federal government. This system is used to assign commodity or industry categories based on the primary business of the customer. A primary business category is assigned when the commodity or industry accounts for 50% or more of the total value of sales for a business; however, a large percentage of agricultural operations typically includes more than one commodity.

The following table shows the primary agricultural commodities produced by our borrowers as of December 31:

	2025	2024	2023
Almonds	28.60%	31.14%	31.96%
Agribusiness	21.34%	18.93%	18.57%
Pistachios	8.76%	9.10%	9.74%
Tree fruit	8.05%	8.19%	7.33%
Wine & table grapes	6.16%	6.52%	6.30%
Raisins	4.53%	5.12%	5.60%
Other	22.56%	21.00%	20.50%
Total	100.00%	100.00%	100.00%

Overall, we maintain a well-diversified loan portfolio. Repayment ability of our borrowers is closely related to their debt leverage and to the production and profitability of the commodities they produce. If a loan fails to perform, restructuring and/or other servicing alternatives are influenced by the underlying value of the collateral which is impacted by industry economics. Our future performance may be negatively impacted by adverse agricultural conditions. The degree of the adverse impact would be correlated to the commodities impacted and the magnitude and duration of the adverse agricultural conditions to our borrowers. Our risk in commodity concentrations is reduced by the fact that many of our borrowers are diversified into multiple commodities.

Almonds, the predominant commodity financed by the Association, experienced significant declines in price driven by multiple consecutive large crops and elevated carry-in inventories, compounded by reduced exports that were influenced by unfavorable trade tariffs in key markets and higher freight costs/longer transit times associated with global shipping disruptions. With prices that were below long-term averages, many borrowers operated at below break-even levels, particularly those located in areas with elevated water costs and/or have high debt service requirements, leading to a deterioration in credit quality. With the strengthening of almond prices that began in 2024 and continued into 2025, which has been supported by strong product demand and a materially lower carry-in inventory, there is renewed optimism that the industry has moved beyond its lowest point and is now positioned for a more sustainable recovery. The anticipation that production will stabilize or decrease as growers make long-term adjustments to align their operations with available water resources, further supports a positive outlook for sustained improvement over the coming years, ultimately leading to improved credit quality. Management continues to closely monitor the economics of the industry, and work with borrowers who are experiencing operational challenges.

Agribusiness represents 21.34% of our loan portfolio compared to 18.93% in prior year. The segment is highly diversified between different industries. Generally, the agribusinesses that are doing well are those that have formed alliances directly with the food or fiber retailers and/or wholesalers. They are able to provide flexible customized packages of product or bulk commodities when and where the buyer needs them. Additionally, costs are more controlled due to the economies of scale achieved through increased throughput.

The "Other" category represents 44 loan commodities that individually do not represent a concentration of more than 5% of the loan portfolio.

In addition to commodity diversification noted in the previous table, further diversification is also achieved from loans to rural residents and part-time farmers who typically derive most of their earnings from non-agricultural sources. These borrowers are less subject to agricultural cycles and would likely be more affected by weaknesses in the general economy.

Our portfolio is also diversified through loan size. The table below details loan principal by dollar size as of December 31.

	2025		2024		2023	
($ in thousands)	Amount Outstanding	Number of Loans	Amount Outstanding	Number of Loans	Amount Outstanding	Number of Loans
$1 - $250	$ 53,682	489	$ 56,241	522	$ 55,395	534
$251 - $500	97,533	271	101,238	273	102,161	283
$501 - $1,000	192,276	264	181,199	250	185,690	261
$1,001 - $5,000	955,644	445	893,883	415	825,872	387
$5,001 - $25,000	501,024	65	445,222	54	393,714	51
Total	$ 1,800,159	1,534	$ 1,677,783	1,514	$ 1,562,832	1,516

The principal balance outstanding at December 31, 2025 for loans $500 thousand and less account for 8.40% of loan volume but 49.54% of the number of loans. Credit risk on small loans, in many instances, may be reduced by non-farm income sources. Loans above $5 million comprise 27.83% of our loan volume and are attributable to 65 loans. Due to their size, financial deterioration or the loss of volume within a combination of large loans may adversely affect the portfolio and our future operating results. As such, we closely monitor all large loans.

Through Federal Agricultural Mortgage Corporation (Farmer Mac), we have reduced the credit risk of certain long-term real estate loans by entering into agreements that provide long-term standby purchase commitments in the event of default. Under this program, we continue to hold the loans in our portfolio, and we pay commitment fees to Farmer Mac for the right to sell a loan designated in these agreements to Farmer Mac in the event the loan becomes significantly delinquent (typically four months past due). If the borrower cures the default, we must repurchase the loan and the commitment remains in place. Farmer Mac long-term standby purchase commitment agreements are further described in Note 3, "Loans and Allowance for Credit Losses." Other than the contractual obligations arising from these business transactions with Farmer Mac, Farmer Mac is not liable for any debt or obligation of ours and we are not liable for any debt or obligation of Farmer Mac. For more information on Farmer Mac, refer to its website at www.farmermac.com. The amount of loans subject to these Farmer Mac credit enhancements was $6.9 million at December 31, 2025, $2.9 million at December 31, 2024, and $982 thousand at December 31, 2023. Included in other operating expenses were fees paid for these Farmer Mac commitments totaling $7 thousand in 2025, $8 thousand in 2024, and $9 thousand in 2023.

In addition, we obtained Federal Guarantees through the Farm Service Agency and State of California Guarantees through Valley Small Business Development Corporation. In the event of default, Federal Guarantees cover a specific percent of principal and interest due on the loan while State Guarantees cover a specific percent of principal and the same percentage of post-default interest (up to ninety days from the default date). The Association had guaranteed volume with government agencies outstanding of $8.6 million at year-end 2025, $7.8 million at year-end 2024, and $9.0 million at year-end 2023.

Credit Commitments

We may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of our borrowers. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in our consolidated financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. We may also participate in standby letters of credit to satisfy the financing needs of our borrowers. These standby letters of credit are irrevocable agreements to guarantee payments of specified financial obligations.

The table below summarizes the maturity distribution of unfunded credit commitments on loans at December 31, 2025.

($ in thousands)	Commitments to Extend Credit	Standby Letters of Credit	Total Commitments
Less than 1 year	$ 167,641	$ 727	$ 168,368
1 – 3 years	228,012	-	228,012
3 – 5 years	120,502	-	120,502
Over 5 years	204,273	-	204,273
Total	$ 720,428	$ 727	$ 721,155

The total commitments do not necessarily represent future cash requirements since many of these commitments are expected to expire without being drawn upon. However, these credit-related financial instruments have off-balance sheet credit risk because their contractual amounts are not reflected on the Consolidated Statements of Condition until funded or drawn upon.

The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and we apply the same credit policies to these commitments. The amount of collateral obtained, as deemed necessary upon extension of credit, is based on our credit evaluation of the borrower. No material losses are anticipated as a result of these credit commitments.

Nonperforming Assets

Nonperforming loans is comprised of nonaccrual loans and accruing loans 90 days or more past due. Nonperforming assets consist of nonperforming loans and other property owned. Nonaccrual loans represent all loans where there is a reasonable doubt as to the collection of principal and/or interest.

Comparative information regarding nonperforming assets in the portfolio as of December 31 follows:

($ in thousands)	2025	2024	2023
Nonaccrual loans:			
Real estate mortgage	$ 15,906	$ 3,525	$ 1,156
Communications	5,000	-	-
Agribusiness	1,523	-	1,104
Production and intermediate-term	411	962	36
Lease receivables	-	1,279	69
Total nonaccrual loans	22,840	5,766	2,365
Accruing loans 90 days or more past due	-	2,236	2,635
Total nonperforming loans	22,840	8,002	5,000
Other property owned	-	-	-
Total nonperforming assets	$ 22,840	$ 8,002	$ 5,000
Nonaccrual loans as a percentage of total loans	1.27%	0.34%	0.15%
Nonperforming assets as a percentage of total loans	1.27%	0.48%	0.32%
Nonperforming assets as a percentage of total members' equity	6.64%	2.42%	1.57%

Total nonperforming assets increased $14.8 million to $22.8 million as of December 31, 2025 from $8.0 million as of December 31, 2024. Nonperforming assets increased primarily due to the transfer of four loan complexes to nonaccrual status during 2025.

The following table provides additional information on nonaccrual loans as of December 31.

($ in thousands)	2025	2024	2023
Nonaccrual loans current	$ 2,677	$ 1,484	$ 1,655
Nonaccrual loans past due	20,163	4,282	710
Total nonaccrual loans	$ 22,840	$ 5,766	$ 2,365

Other property owned is real or personal property that has been acquired through foreclosure, deed in lieu of foreclosure, or other means. We had no other property owned at December 31, 2025, 2024, or 2023.

Allowance for Credit Losses

Beginning January 1, 2023, the allowance for credit losses (ACL) represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

- The allowance for credit losses on loans (ACL on loans), and
- The reserve for unfunded commitments, which is presented on the Consolidated Statements of Condition.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, considering macroeconomic conditions, forecasts, and other factors prevailing at the time, may result in significant changes in the ACL in those future periods.

The following table provides relevant information regarding the allowance for credit losses as of December 31:

($ in thousands)	2025	2024	2023
Balance at beginning of year	$ 3,401	$ 3,038	$ 5,935
Cumulative effect of a change in accounting principle	-	-	(1,841)
Adjusted balance at beginning of year	3,401	3,038	4,094
Charge-offs:			
Real estate mortgage	168	56	-
Production and intermediate-term	167	34	116
Lease receivables	-	6	-
Total charge-offs	335	96	116
Recoveries:			
Production and intermediate-term	2	-	-
Lease receivables	6	-	-
Total recoveries	8	-	-
Net charge-offs	327	96	116
Provision for credit losses (credit loss reversal)	2,205	459	(940)
Balance at December 31	$ 5,279	$ 3,401	$ 3,038
Net charge-offs as a percentage of average loans	0.02%	<0.01%	<0.01%

The following table presents the allowance for credit losses by loan type as of December 31:

($ in thousands)	2025	2024	2023
Agribusiness	$ 1,970	$ 1,582	$ 1,712
Communications	1,851	49	27
Real estate mortgage	822	682	773
Production and intermediate-term	377	588	353
Lease receivables	135	454	105
Energy	124	46	68
Total	$ 5,279	$ 3,401	$ 3,038

The allowance for credit losses increased $1.9 million to $5.3 million as of December 31, 2025 from $3.4 million as of December 31, 2024. The increase to our provision was driven by higher specific reserves on individually evaluated loans exhibiting signs of deterioration, along with increased loan volume.

Comparative allowance for credit losses coverage as a percentage of loans and certain other credit quality indicators as of December 31 are presented in the following table:

	2025	2024	2023
Allowance for credit losses as a percentage of:			
Total loans	0.29%	0.20%	0.19%
Nonaccrual loans	23.11%	58.98%	128.46%
Nonperforming assets	23.11%	42.50%	60.76%

The overall allowance as a percentage of loans has increased to 0.29% at December 31, 2025, compared to 0.20% at December 31, 2024, and 0.19% at December 31, 2023. The Association continues to provide an adequate allowance for credit losses. Further discussion of the allowance can be found in Note 3, "Loans and Allowance for Credit Losses," of the accompanying consolidated financial statements.

We maintain a separate reserve for unfunded commitments, which is included in the Consolidated Statements of Condition. The related provision for the reserve for unfunded commitments is included as part of other noninterest expense on the Consolidated Statements of Income.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential failure of a borrower to meet repayment obligations that result in a financial loss to the lender. Credit risk exists in our loan portfolio and also in our unfunded loan commitments and standby letters of credit. Credit risk is actively managed on an individual and portfolio basis through application of sound lending and underwriting standards, policies, and procedures.

Underwriting standards are developed and utilized to determine an applicant's operational, financial, and managerial resources available for repaying debt within the terms of the note and loan agreement. Underwriting standards include, among other things, an evaluation of:

- character – borrower integrity and credit history;
- capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income;
- collateral – to protect the lender in the event of default and also serve as a secondary source of loan repayment;
- capital – ability of the operation to survive unanticipated risks; and
- conditions – intended use of the loan funds, terms, restrictions, etc.

Processes for information gathering, balance sheet and income statement verification, loan analysis, credit approvals, disbursements of proceeds, and subsequent loan servicing actions are established and followed. Underwriting standards are updated periodically to reflect market and industry conditions.

By regulation, loan commitments to one borrower cannot be more than 15% of our regulatory capital. To further mitigate loan concentration risks, we have established internal lending limits that are below the regulatory requirements that are based on the risk associated with individual borrowers. Exposure through loan participations is further limited by parameters based on specific business relationships.

We have established internal lending delegations to properly control the loan approval process. All approvals require a minimum of two voters, with increased voter participation required based on loan size, complexity, type, and risk. Larger and more complex loans or loans perceived to have higher risk are typically approved by our Executive Loan Committee with the most experienced and knowledgeable credit staff serving as members.

The majority of our lending is first mortgage real estate loans which must be secured by a first lien on real estate. Production and intermediate-term lending accounts for most of the remaining volume and is also typically secured by crops, livestock, equipment, and real estate. Collateral evaluations are completed in compliance with FCA and Uniform Standards of Professional Appraisal Practices requirements, with all collateral appraised at market value. All collateral evaluations must be performed by a qualified appraiser, with certain appraisals required to be performed by individuals with a state certification or license.

We use a two-dimensional loan risk rating model (Model) based on the Farm Credit System's Combined System Risk Rating Guidance. The Model estimates each loan's probability of default (PD) and loss given default (LGD). PD estimates the probability that a borrower will experience a default within twelve months from the date of determination. LGD provides an estimation of the anticipated loss with respect to a specific financial obligation of a borrower assuming a default has occurred or will occur within the next twelve months. The Model uses objective and subjective criteria to identify inherent strengths, weaknesses, and risks in each loan. PDs and LGDs are utilized in loan and portfolio management processes and are used for the allowance for credit losses estimate.

The Model's 14-point probability of default scale provides for nine acceptable categories, one OAEM category, two substandard categories, one doubtful category, and one loss category; each carrying a distinct percentage of default probability. The Model's LGD scale provides 6 categories, A through F, that have the following anticipated principal loss and range of economic loss expectations:

- A 0% anticipated principal loss; 0% to 5% range of economic loss.
- B 0% to 3% anticipated principal loss; >5% to 15% range of economic loss.
- C > 3% to 7% anticipated principal loss; >15% to 20% range of economic loss.
- D > 7% to 15% anticipated principal loss; >20% to 25% range of economic loss.
- E > 15% to 40% anticipated principal loss; >25% to 50% range of economic loss.
- F above 40% anticipated principal loss; above 50% range of economic loss.

We are committed to sound and constructive financing. We believe these standards, processes, and tools allow us to maintain a successful credit administration function. This has allowed us to maintain high credit quality throughout the various economic cycles.

Credit Quality

We review the credit quality of the loan portfolio on an ongoing basis as part of our risk management practices. Each loan is classified according to the Uniform Classification System (UCS), which is used by all Farm Credit System institutions. Below are the classification definitions:

- 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, and/or collateral pledged on the loan.
- Doubtful – Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

The following table presents statistics related to credit quality of the loan portfolio at December 31:

	2025	2024	2023
Acceptable	88.51%	91.86%	94.40%
OAEM	5.71%	2.75%	2.43%
Substandard	5.78%	5.39%	3.17%
Total	100.00%	100.00%	100.00%

Overall credit quality remained strong throughout 2025; however, credit quality decreased slightly with loans classified as "Acceptable" and "OAEM" accounting for 94.22% of volume at December 31, 2025, compared to 94.61% at December 31, 2024. The decrease is attributed to net portfolio deterioration in certain segments of the loan portfolio as recent economic conditions have created challenges for some of our borrowers. Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans were 1.28%, 0.38%, and 0.40% for 2025, 2024, and 2023, respectively.

To ensure the quality of our loan portfolio remains strong, we maintain a safe credit culture with robust underwriting standards. However, agriculture remains a cyclical business that is heavily influenced by production, operating costs, and commodity prices, each of which can be significantly impacted by uncontrollable events. While credit quality has remained strong, less favorable economic conditions have led to softening prices in certain commodities, which is expected to cause tighter operating margins for some of our borrowers. This could lead to some portfolio deterioration and lower credit quality than achieved in recent years. We believe our robust capital position, adequate allowance for credit losses, and effective credit administration will allow us to successfully manage this risk.

LIQUIDITY

Liquidity is necessary to meet our financial obligations. Obligations that require liquidity include paying our note with CoBank, funding loans and other commitments, and funding operations in a cost-effective manner. Our liquidity policy is intended to manage short-term cash flow, maximize debt reduction, and liquidate nonearning assets expeditiously. Our direct loan with CoBank, cash on hand, and loan repayments provide adequate liquidity to fund ongoing operations and other commitments.

Funding Sources

Our primary source of liquidity is our ability to obtain funds for operations through a borrowing relationship with CoBank. Our note payable to CoBank is collateralized by a pledge of substantially all of the Association's assets. Substantially all cash received is applied to the note payable and all cash disbursements are drawn on the note payable. The indebtedness is governed by a General Financing Agreement (GFA) with CoBank that is subject to periodic renewal in accordance with normal business practices. The annual average principal balance of the note payable to CoBank was $1.40 billion in 2025, $1.27 billion in 2024, and $1.19 billion in 2023.

We plan to continue to fund lending operations through the utilization of our funding arrangement with CoBank, retained earnings from current and prior years, and from borrower stock investments. CoBank's primary source of funds is the ability to issue Systemwide Debt Securities to investors through the Federal Farm Credit Banks Funding Corporation (Funding Corporation).

Due to the Funding Corporation's effectiveness, this access has traditionally provided a dependable source of competitively priced debt that is critical for supporting our mission of providing credit to agriculture and rural America. The Association's continued liquidity is directly dependent upon the Farm Credit System's ability to sell debt securities at competitive rates and the Association maintaining a sound financial position and borrowing relationship with CoBank. We anticipate continuation of strong liquidity levels that will be adequate to meet our obligations.

Interest Rate Risk

The interest rate risk inherent in our loan portfolio is substantially mitigated through our funding relationship with CoBank and allows for loans to be match-funded. Borrowings from CoBank match the pricing, maturity, and option characteristics of our loans to borrowers. CoBank manages interest rate risk through the direct loan pricing and its asset/liability management processes. Although CoBank incurs and manages the primary sources of interest rate risk, we may still be exposed to interest rate risk through the impact of interest rate changes on earnings generated from our loanable funds. To stabilize earnings from loanable funds, we have committed portions of our loanable funds at fixed rates through CoBank. These earnings are reflected in net interest income as a reduction to interest expense. This enables us to increase our earnings without significantly increasing our overall interest rate risk position.

CAPITAL RESOURCES

Capital supports asset growth and provides protection for unexpected credit and operating losses. Capital is also needed for investments in new products and services. We believe a sound capital position is critical to our long-term financial success due to the volatility and cyclical nature of agriculture. We have been able to build capital primarily through net income retained after patronage.

Members' equity totaled $343.8 million at December 31, 2025, compared with $331.3 million at December 31, 2024, and $317.9 million at December 31, 2023. Members' equity includes stock purchased by our members, retained earnings accumulated through net income less patronage distributed to members and accumulated other comprehensive income and losses. Refer to Note 8, "Members' Equity," of the accompanying consolidated financial statements for additional information with respect to our capital and related requirements and restrictions.

Our capital position is reflected in the following ratio comparisons:

	2025	2024	2023
Debt as a ratio to members' equity	4.57:1	4.42:1	4.26:1
Members' equity as a percentage of net loans	19.15%	19.79%	20.38%
Members' equity as a percentage of total assets	17.95%	18.45%	19.01%

Retained Earnings

Retained earnings increased $13.0 million to $343.6 million at December 31, 2025, from $330.6 million at December 31, 2024. The increase was driven by net income of $28.2 million, partially offset by a $15.1 million patronage distribution declared in December 2025.

Stock

Total stock and participation certificates totaled $708 thousand at December 31, 2025, an increase of $5 thousand from $703 thousand at December 31, 2024. We require a $1 thousand stock investment for each borrower.

Accumulated Other Comprehensive Loss

The Association reported accumulated other comprehensive losses of $595 thousand in 2025, primarily attributable to the year-end measurement of the nonqualified pension plan and updates to participant data and actuarial assumptions used in estimating the related obligation. The Association did not report any accumulated other comprehensive income or losses in 2024 or 2023.

CAPITAL PLAN AND REGULATORY REQUIREMENTS

Our Board of Directors establishes a formal capital adequacy plan that addresses capital goals in relation to risks. The capital adequacy plan assesses the capital level necessary for financial viability and to provide for growth. Our plan is updated annually and approved by our Board of Directors.

FCA regulations require the plan consider the following factors in determining optimal capital levels, including:

- Regulatory capital requirements;
- Asset quality;
- Needs of our customer base; and
- Other risk-oriented activities, such as funding and interest rate risks, contingent and off-balance sheet liabilities and other conditions warranting additional capital.

As shown in the following table, at December 31, 2025, our capital and leverage ratios exceeded regulatory minimums. If these capital standards are not met, the FCA can impose restrictions, including limiting our ability to pay patronage distributions and retire equities.

	December 31, 2025	Regulatory Minimum	Capital Conservation Buffer	Total
Risk adjusted:				
Common equity tier 1 (CET1) capital ratio	14.64%	4.50%	2.50%	7.00%
Tier 1 capital ratio	14.64%	6.00%	2.50%	8.50%
Total capital ratio	14.88%	8.00%	2.50%	10.50%
Permanent capital ratio	14.67%	7.00%	-	7.00%
Non-risk-adjusted:				
Tier 1 leverage ratio	16.70%	4.00%	1.00%	5.00%
Unallocated retained earnings (URE) and URE equivalents (UREE) leverage ratio	16.66%	1.50%	-	1.50%

As shown in the table above, the Association exceeded the minimum regulatory requirements. The 2025 capital ratios also exceed the minimum targets established by the Board. We do not foresee any future events that would materially impact our capital adequacy in an adverse manner. Due to our strong capital position, we anticipate that we will be able to continue retiring at-risk stock.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are based on accounting principles generally accepted in the United States of America. Our significant accounting policies are critical to the understanding of our results of operations and financial position because some accounting policies require us to make complex or subjective judgments and estimates that may affect the value of certain assets or liabilities. We consider these policies critical because we have to make judgments about matters that are inherently uncertain. For a complete discussion of significant accounting policies, refer to Note 2, "Summary of Significant Accounting Policies," of the accompanying consolidated financial statements. The development and selection of critical policies, and related disclosures, have been reviewed by our Audit Committee.

FORWARD-LOOKING STATEMENTS

Our discussion contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," and "will," or other variations of these terms are intended to identify forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. Actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to: political, legal, regulatory and economic conditions, and developments in the United States and abroad; economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors; weather, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income; changes in United States government support of the agricultural industry and/or the Farm Credit System; and actions taken by the Federal Reserve System in implementing monetary policy.

Report of Independent Auditors

To the Board of Directors of Fresno Madera Farm Credit, ACA

Opinion

We have audited the accompanying consolidated financial statements of Fresno Madera Farm Credit, ACA and its subsidiaries (the "Association"), which comprise the consolidated statements of condition as of December 31, 2025, 2024, and 2023 and the related consolidated statements of income, of changes in members' equity, and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2025, 2024, and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Association changed the manner in which it accounts for the allowance for credit losses in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2025 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

San Francisco, California

March 16, 2026

CONSOLIDATED STATEMENTS OF CONDITION

Dollars in thousands

	December 31		
	2025	2024	2023
Assets			
Loans	$ 1,800,159	$ 1,677,783	$ 1,562,832
Less: allowance for credit losses	5,279	3,401	3,038
Net loans	1,794,880	1,674,382	1,559,794
Cash	4,876	8,172	3,028
Accrued interest receivable	37,393	39,713	39,096
Investment in CoBank, ACB	47,317	42,976	39,788
Premises and equipment, net	8,986	9,269	9,584
Other assets	21,318	21,073	20,934
Total assets	$ 1,914,770	$ 1,795,585	$ 1,672,224
Liabilities			
Note payable to CoBank, ACB	$ 1,485,084	$ 1,366,117	$ 1,281,119
Funds held	60,150	73,533	43,168
Accrued interest payable	4,947	5,065	5,336
Patronage distributions payable	15,101	14,600	19,355
Reserve for unfunded commitments	266	159	251
Other liabilities	5,467	4,824	5,048
Total liabilities	1,571,015	1,464,298	1,354,277
Commitments and Contingencies (see Note 14)			
Members' equity			
Capital stock and participation certificates	708	703	720
Unallocated retained earnings	343,642	330,584	317,227
Accumulated other comprehensive loss	(595)	-	-
Total members' equity	343,755	331,287	317,947
Total liabilities and members' equity	$ 1,914,770	$ 1,795,585	$ 1,672,224

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

CONSOLIDATED STATEMENTS OF INCOME

Dollars in thousands

	For the Year Ended December 31		
	2025	2024	2023
Interest income			
Loans	$ 113,983	$ 115,335	$ 104,655
Interest expense			
Note payable to CoBank, ACB	64,254	68,561	61,977
Funds held	2,173	2,894	2,327
Total interest expense	66,427	71,455	64,304
Net interest income	47,556	43,880	40,351
Provision for credit losses (credit loss reversal)	2,205	459	(940)
Net interest income after provision for credit losses (credit loss reversal)	45,351	43,421	41,291
Noninterest income			
Patronage distribution from Farm Credit institutions	11,593	11,838	11,265
Loan fees	1,180	978	747
Farm Credit Insurance Fund rebate	294	444	-
Financially related services income	145	201	163
Other noninterest income	138	165	184
Total noninterest income	13,350	13,626	12,359
Noninterest expense			
Salaries and employee benefits	17,469	16,520	14,609
Information technology	6,639	6,130	5,291
Farm Credit Insurance Fund premium	1,353	1,223	2,047
Occupancy and equipment	901	886	881
Supervisory and examination costs	582	576	520
Other noninterest expense	3,596	3,753	3,661
Total noninterest expense	30,540	29,088	27,009
Income before income taxes	28,161	27,959	26,641
Provision for income taxes	2	2	2
Net income	$ 28,159	$ 27,957	$ 26,639

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Dollars in thousands

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2022	$ 753	$ 308,322	$ -	$ 309,075
Cumulative effects from adoption of the CECL standard		1,621		1,621
Balance at January 1, 2023	$ 753	$ 309,943	$ -	$ 310,696
Net income		26,639		26,639
Capital stock and participation certificates issued	45			45
Capital stock and participation certificates retired	(78)			(78)
Patronage distributions: cash		(19,355)		(19,355)
Balance at December 31, 2023	$ 720	$ 317,227	$ -	$ 317,947
Net income		27,957		27,957
Capital stock and participation certificates issued	38			38
Capital stock and participation certificates retired	(55)			(55)
Patronage distributions: cash		(14,600)		(14,600)
Balance at December 31, 2024	$ 703	$ 330,584	$ -	$ 331,287
Comprehensive Income:				
Net income		28,159		28,159
Change in retirement obligation			(595)	(595)
Capital stock and participation certificates issued	53			53
Capital stock and participation certificates retired	(48)			(48)
Patronage distributions: cash		(15,101)		(15,101)
Balance at December 31, 2025	$ 708	$ 343,642	$ (595)	$ 343,755

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in thousands

	For the Year Ended December 31		
	2025	2024	2023
Cash flows from operating activities:			
Net income	$ 28,159	$ 27,957	$ 26,639
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	628	602	805
Provision for credit losses (credit loss reversal)	2,205	459	(940)
Stock patronage from CoBank, ACB	(506)	(564)	(544)
(Gain) loss on disposal of premises and equipment	(21)	-	3
Change in assets and liabilities:			
Decrease (increase) in accrued interest receivable	2,320	(617)	(14,372)
(Increase) decrease in other assets	(245)	(139)	89
(Decrease) increase in accrued interest payable	(118)	(271)	1,533
Increase (decrease) in reserve for unfunded commitments	107	(92)	(210)
Increase (decrease) in other liabilities	48	(224)	(109)
Total adjustments	4,418	(846)	(13,745)
Net cash provided by operating activities	32,577	27,111	12,894
Cash flows from investing activities:			
Net increase in loans	(122,703)	(115,047)	(109,652)
(Increase) decrease in stock in CoBank, ACB	(3,835)	(2,624)	589
Proceeds from sale of premises and equipment	21	-	-
Purchase of premises and equipment	(345)	(287)	(1,189)
Net cash used in investing activities	(126,862)	(117,958)	(110,252)
Cash flows from financing activities:			
Net draw on note payable to CoBank, ACB	118,967	84,998	107,021
Net (decrease) increase in funds held	(13,383)	30,365	(707)
Capital stock and participation certificates retired	(48)	(55)	(78)
Capital stock and participation certificates issued	53	38	45
Cash patronage distributions paid	(14,600)	(19,355)	(17,094)
Net cash provided by financing activities	90,989	95,991	89,187
Net (decrease) increase in cash	(3,296)	5,144	(8,171)
Cash at beginning of year	8,172	3,028	11,199
Cash at end of year	$ 4,876	$ 8,172	$ 3,028
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ 66,545	$ 71,726	$ 62,771
Income taxes, net of refunds	$ 2	$ 2	$ 2
Supplemental schedule of non-cash financing activities:			
Cash patronage distributions payable	$ 15,101	$ 14,600	$ 19,355

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in thousands, except as noted

1. ORGANIZATION AND OPERATIONS

Organization

Fresno Madera Farm Credit, ACA and its wholly-owned subsidiaries, Fresno Madera Federal Land Bank Association, FLCA (FLCA) and Fresno Madera Production Credit Association (PCA) (collectively called the Association), are member-owned cooperatives which provide credit and credit-related services to or for the benefit of eligible borrowers/members for qualified agricultural purposes in the counties of Fresno and Madera in the state of California.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations, which was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (the Farm Credit Act).

At December 31, 2025, the System was comprised of three Farm Credit Banks (FCBs), one Agricultural Credit Bank (ACB), and 55 associations.

CoBank, ACB (funding bank or the Bank), its related associations (including Fresno Madera Farm Credit, ACA), and AgVantis, Inc. (AgVantis) are collectively referred to as the District. CoBank provides the funding to associations within the District and is responsible for supervising certain activities of the District associations. AgVantis, which is owned by the entities it serves, provides technology and other operational services to certain associations. The CoBank District consists of CoBank, 16 Agricultural Credit Associations (ACA), which each have two wholly-owned subsidiaries, a FLCA and a PCA, and AgVantis.

ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. Generally, the FLCA makes secured long-term agricultural real estate and rural home mortgage loans and the PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of System associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Farm Credit Act established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on System-wide debt obligations (Insured Debt), (2) to ensure the retirement of protected stock at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for discretionary use by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System Bank is required to pay premiums, which may be passed on to the association, into the Insurance Fund based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the “secure base amount,” which is defined in the Farm Credit Act as 2.0% of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the Insurance Corporation, in its sole discretion, determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums as necessary to maintain the Insurance Fund at the 2.0% level. As required by the Farm Credit Act, as amended, the Insurance Corporation may return excess funds above the secure base amount to System institutions.

Operations

The Farm Credit Act sets forth the types of authorized lending activity, persons eligible to borrow, and financial services which can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments, and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents, and farm-related businesses.

The Association serves as an intermediary in offering related services to its borrowers, such as credit life insurance and multi-peril crop insurance, and providing additional services to borrowers such as funds held accounts, lease placement, and appraisal services.

In addition, the Farm Credit Council acts as a full-service federated trade association, which represents the System before Congress, the Executive Branch, and others, and provides support services to System institutions on a fee basis.

Upon request, stockholders of the Association will be provided with a CoBank Annual Report to Stockholders, which includes the combined financial statements of the Bank and its related associations. The Association's financial condition may be impacted by factors that affect the Bank. The CoBank Annual Report discusses the material aspects of the District's financial condition, changes in financial condition, and results of operations. In addition, the CoBank Annual Report identifies favorable and unfavorable trends, significant events, uncertainties, and the impact of activities of the Insurance Corporation.

The CoBank Annual Report is available free of charge on CoBank’s website, www.cobank.com; or may be obtained at no charge by contacting the Association at 4635 West Spruce, Fresno, California 93722 or by calling (559) 277-7000. Upon request, Association members will be provided with a copy of the CoBank Annual Report. The CoBank Annual Report discusses the material aspects of the Bank’s and District’s financial condition, changes in financial condition, and results of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires Association management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements. Actual results may differ from these estimates. Significant estimates are discussed in these footnotes, as applicable.

The consolidated financial statements include the accounts of Fresno Madera Farm Credit, ACA and its wholly-owned subsidiaries, Fresno Madera FLCA and Fresno Madera PCA. All significant inter-company transactions have been eliminated in consolidation.

Recently Issued Accounting Pronouncements

In December 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-11 Interim Reporting (Topic 270): Narrow-Scope Improvements. The update provides narrow-scope improvements to interim reporting guidance (ASC 270) to enhance clarity, navigability, and completeness of interim financial statements and disclosures, without fundamentally changing reporting requirements. Key changes include clarifying who is subject to ASC 270, adding comprehensive lists of required disclosures from other Codification topics, and establishing a principle to disclose events since the end of the last annual reporting period that have a material impact on the entity. The standard is effective for public business entities for interim reporting periods within annual reporting periods beginning after December 15, 2027, and for other entities after December 15, 2028, with early adoption permitted. The Association is currently evaluating the potential impact of adoption on the Association’s financial condition, results of operations, and cash flows.

In November 2025, the FASB issued ASU 2025-08 Financial Instruments – Credit Losses (Topic 326) – Purchased Loans. The amendment simplifies accounting for purchased loans by expanding the “gross up” method to “purchased seasoned loans” (PSLs). This eliminates Day 1 credit loss expense for most acquired loans, improves comparability, and reduces earnings volatility by creating a more consistent accounting approach similar to that used for previously purchased credit-deteriorated (PCD) loans. The standard is effective for annual periods beginning after December 15, 2026, including interim periods within those years. Early adoption is permitted. The Association is currently evaluating the potential impact of adoption on the Association’s financial condition, results of operations, and cash flows.

In September 2025, the FASB issued ASU 2025-06 Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. The amendment introduces 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 developments costs and (4) modifies the disclosure requirements for capitalized software costs. The standard is effective for annual periods starting after December 15, 2027, with early adoption permitted as of the beginning of any annual reporting period. The Association is currently evaluating the potential impact of adoption on the Association’s financial condition, results of operations, and cash flows.

In July 2025, the FASB issued ASU 2025-05 Financial Instruments – Credit Losses – Measurement of Credit Losses for Accounts Receivable and Contract Assets. The amendments in this update provide (1) all entities with a practical expedient and (2) entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivables and current contract assets arising from transactions accounted for under Topic 606. The practical expedient would allow all entities when developing reasonable and supportable forecasts as part of estimating expected credit losses to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The amendments will be effective for annual reporting periods beginning after December 15, 2025, and interim periods within those annual reporting periods under a prospective approach. Early adoption is permitted for interim or annual periods in which financial statements have not yet been issued. The Association is currently evaluating the potential impact of adoption on the Association's financial condition, results of operations, and cash flows.

In November 2024, the FASB issued ASU 2024-03 Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures: Disaggregation of Income Statement Expenses. The amendments in this ASU apply to all public business entities, and require 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 (DD&A) (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)–(e).
- Include certain amounts that are already required to be disclosed under current generally accepted accounting principles (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 ASU or (2) retrospectively to any or all prior periods presented in the financial statements. The Association is currently evaluating the potential impact of adoption on the Association's financial condition, results of operations, and cash flows.

In December 2023, the FASB issued ASU 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The enhanced rate reconciliation will require tabular reporting by amount and percentage for specifically defined reconciling items as well as additional information for reconciling items that meet a quantitative threshold of greater than five percent of the amount computed by multiplying pre-tax income by the applicable statutory income tax rate. Income taxes paid will require disaggregated disclosure by federal, state and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. The guidance will also eliminate the requirement to disclose an estimate of the range of the reasonably possible change in the unrecognized tax benefits balances in the next 12 months. Effective January 1, 2025, the Association adopted ASU 2023-09. The adoption had no impact on the Association's financial condition, results of operations, or cash flows, but did impact our disclosures.

Investments

The Association may hold investments in accordance with investment programs approved by the Farm Credit Administration. These programs allow the Association to make investments that further the mission to support rural America.

Loans and Allowance for Credit Losses

Long-term real estate mortgage loans generally have original maturities ranging from 5 to 40 years. Substantially all short- and intermediate-term loans made for agricultural production or operating purposes have maturities of 10 years or less. Loans are generally carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. Loan origination fees and direct loan origination costs are netted and capitalized, and the net fee or cost is amortized over the average life of the related loan as an adjustment to interest income. Loan prepayment fees are reported in interest income. Interest on loans is accrued and credited to interest income based on the daily principal amount outstanding.

Nonaccrual Loans

A loan is considered a nonaccrual loan if there is a known risk to the collection of principal and interest according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. A loan is considered contractually past due when any principal repayment or interest payment required by the loan contract is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest, and penalty interest incurred as the result of past due status, is collected, or otherwise discharged in full.

Consistent with prior practice, loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection), circumstances indicate that collection of principal and interest is in doubt, or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. At the time a loan is placed in nonaccrual status, accrued interest that is considered uncollectible is reversed (if accrued in the current year) or charged against the allowance for credit losses (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, interest payments received in cash are generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the amortized cost in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is fully expected to fulfill the contractual repayments terms, and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first applied against accrued interest receivable and then the remainder is recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable

The Association elected to continue classifying accrued interest on loans in accrued interest receivable and not as part of loans on the Consolidated Statements of Condition. The Association also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay, or a term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Collateral Dependent Loans

Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment, and livestock. An entity is required to measure the current expected credit losses (CECL) of a collateral dependent loan based on fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. Additionally, CECL allows a fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit losses is based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

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. The collateral dependent loans are primarily real estate mortgage and rural residential real estate loans.

Allowance for Credit Losses

Effective January 1, 2023, the allowance for credit losses (ACL) represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

- the allowance for credit losses on loans (ACL on loans), and
- the reserve for unfunded commitments, which is presented on the Consolidated Statements of Condition.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, considering macroeconomic conditions, forecasts, and other factors prevailing at the time, may result in significant changes in the ACL in those future periods.

Methodology for Allowance for Credit Losses on Loans

The ACL on loans represents management's estimate of credit losses over the remaining expected life of loans. The Association employs a disciplined process and methodology to establish its ACL on loans that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics. These estimates explicitly exclude any loan extensions or renewals that are unconditionally cancellable.

Asset-specific loans are generally collateral dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the component of the ACL on loans that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool. The life of the loan for closed-ended products is based on the contractual maturity of the loan adjusted for any expected prepayments. For open-ended products (e.g., lines of credit), the ACL on loans is determined based on the maximum repayment term associated with future draws from credit lines unless those lines of credit are unconditionally cancellable in which case the Association does not record any allowance.

The components of the ACL on loans that share common risk characteristics also consider factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to:

- lending policies and procedures;
- national, regional, and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- the nature of the loan portfolio, including the terms of the loans;
- the experience, ability, and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

The determination of the ACL on loans is based on numerous estimates and assumptions, which require a high degree of judgment and are often interrelated. A critical judgment in the process is the weighting of our forward-looking macroeconomic scenarios that are incorporated into our quantitative models. As any one economic outlook is inherently uncertain, the Association leverages multiple scenarios over reasonable and supportable forecast period of 3 years. Subsequent to the forecast period, the Association reverts to long run historical loss experience beyond the 3 years on a straight-line to inform the estimate of losses for the remaining contractual life of the loan portfolio. There are multiple variables that drive the macroeconomic scenarios with the key variables including, but not limited to, unemployment rates, gross domestic product levels, and corporate bond spreads. The scenarios that are chosen each quarter and the weighting given to each scenario depend on a variety of factors including recent economic events, leading economic indicators, views of management and fourth-party economists, and industry trends.

In addition to the quantitative calculation, the Association considers the imprecision inherent in the process and methodology. Qualitative reserves cover losses that are expected but, in the Association's assessment, may not be adequately reflected in the quantitative methods or the economic assumptions.

Reserve for Credit Losses on Unfunded Commitments

The Association evaluates the need for a reserve for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in liabilities on the Consolidated Statements of Condition. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Association and applying the loss factors used in the ACL on loans methodology to the results of the usage calculation. No reserve for credit losses is recorded for commitments that are unconditionally cancellable.

Cash

Cash, as included in the Consolidated Statements of Condition, represents cash on hand and on deposit at financial institutions. At times, cash deposits may be in excess of federally insured limits.

Investment in CoBank

The Association's required investment in CoBank is in the form of Class A Stock. The minimum required investment is 3 percent of the prior one-year average of direct loan volume. The investment in CoBank is comprised of patronage-based stock and purchased stock.

Premises and Equipment

Land is carried at cost and premises and equipment are carried at cost less accumulated depreciation. We capitalize software meeting certain criteria and carry these assets at cost less accumulated amortization. Depreciation and amortization are determined principally by the straight-line method over the estimated useful lives of the assets. Estimated useful lives for buildings are 40 years and range from 3 to 7 years for furniture, equipment, and automobiles. Estimated useful life for software ranges from 3 to 5 years. Gains and losses on dispositions are reflected in current operating results. Maintenance and repairs are expensed, and improvements above certain thresholds are capitalized. Fixed assets under construction represent construction in progress and are recorded in a similarly named account. They remain in such an account until the assets are put in service, at which time the costs of these assets are transferred into their respective premises and equipment accounts to be depreciated. The Association purchases certain software to enhance or perform internal business functions. Software development costs, as well as costs for software that is part of a cloud computing arrangement incurred in the preliminary and post-implementation project stages are charged to noninterest expense. Costs associated with designing software configuration, installation, coding programs, and testing systems are capitalized and amortized using the straight-line method over 3 to 5 years. Long-lived assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable.

Other Assets and Other Liabilities

Other assets are comprised primarily of accounts receivable, prepaid expenses, and equity investments. Equity investments classified within other assets primarily includes the Association's limited partnership in Rural Business Investment Companies (RBICs), investment in the Farm Credit System Association Captive Insurance Corporation, and investments in Farm Credit institutions other than CoBank. Other liabilities primarily include Insurance Fund premiums payable, accounts payable, and employee benefits.

Funds Held

The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. Amounts received are recorded in the Consolidated Statements of Condition as interest-bearing liabilities. Borrowers generally have unrestricted access to these amounts. Funds Held accounts are not insured. Interest is generally paid by the Association on Funds Held accounts.

Employee Benefit Plans

Substantially all employees of the Association participate in the Eleventh District Defined Benefit Retirement Plan (Defined Benefit Plan) and/or the Farm Credit Foundations Defined Contribution/401(k) Plan (Defined Contribution Plan).

The Defined Benefit Plan is a noncontributory multi-employer defined benefit retirement plan. Benefits are based on compensation and years of service. The Association recognizes its proportional share of expense and contributes its proportional share of funding. The Defined Benefit Plan was closed to employees hired after December 31, 1997.

The Defined Contribution Plan has two components. Employees who do not participate in the Defined Benefit Plan may receive benefits through the employer contribution portion of the Defined Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions.

Employees hired on or after January 1, 1998 are eligible to participate only in the Defined Contribution Plan and Salary Deferral Plan. All defined contribution costs are expensed in the same period that participants earn employer contributions.

The Association also provides certain health and life insurance benefits to eligible current and retired employees through the Farm Credit Foundations Retiree Medical and Retiree Life Plans. Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for the Association. The anticipated costs of these benefits are accrued during the period of the employee's active service. The authoritative accounting guidance requires the accrual of the expected cost of providing postretirement benefits during the years that the employee renders service necessary to become eligible for these benefits.

The Association also participates in the Eleventh District nonqualified defined benefit Pension Restoration Plan. This plan provides retirement benefits above the Internal Revenue Code compensation limit to certain highly compensated eligible employees. Benefits payable under this plan are offset by the benefits payable from the pension plan.

Further discussion of the Employee Benefit Plans can be found in Note 11, "Employee Benefit Plans."

Patronage Distribution from CoBank

Patronage distributions from CoBank are accrued by the Association in the year earned.

Income Taxes

As previously described, the ACA holding company conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are operated through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through a wholly-owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income taxes. The Association accounts for income taxes under the liability method. Accordingly, deferred taxes are recognized for estimated taxes ultimately payable or recoverable based on federal, state, or local laws. The Association classifies interest and penalties as a component of the provision for income taxes.

The Association elected to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock, or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage distributions.

Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the Association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, the deferred tax assets will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings.

For California tax purposes, the Association can exclude from taxable income all patronage sourced income. Therefore, the provision for state income taxes is made only on non-patronage sourced earnings.

Other Comprehensive Loss

Other comprehensive loss includes revenues, expenses, gains, and losses that are excluded from net income under accounting principles generally accepted in the United States of America (GAAP). Accumulated other comprehensive income (AOCI) reflects the cumulative balance of these items, which for the Association primarily consists of unrecognized actuarial losses related to its Pension Restoration Plan.

Fair Value Measurement

Accounting guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current, or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks, and default rates and (d) inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Unobservable inputs are those that are supported by little or no market activity and that are significant to the determination of the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about factors that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Level 3 assets include certain impaired loans and loans acquired in an acquisition or merger and other property owned. The fair value disclosures are reported in Note 15, "Fair Value Measurements."

Off-Balance Sheet Credit Exposures

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

We maintain a reserve for unfunded commitments at a level that, in the opinion of management, is adequate to absorb probable losses associated with the Association's commitment to lend funds under these agreements. The reserve is based on a periodic evaluation of the loan portfolio, which considers relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. These estimates are evaluated regularly to determine if any necessary increases or decreases to the reserve are warranted, and changes in the reserve are reflected in the provision for unfunded commitments and included in noninterest expense on the Consolidated Statements of Income. Further discussion of the reserve for unfunded commitments can be found in Note 14, "Commitments and Contingencies."

Dollars in thousands, except as noted

3. LOANS AND ALLOWANCE FOR CREDIT LOSSES

A summary of loans follows:

As of December 31	2025	2024	2023
Real estate mortgage	$ 1,042,216	$ 1,042,878	$ 967,491
Agribusiness	367,828	292,212	258,195
Production and intermediate-term	289,247	262,864	269,728
Energy	44,932	34,869	37,240
Communications	41,516	28,227	12,949
Lease receivables	14,420	16,733	17,229
Total	$ 1,800,159	$ 1,677,783	$ 1,562,832

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration regulations. The following tables present information on loan participations as of December 31, 2025, 2024, and 2023:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
December 31, 2025	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 217,776	$ 245,945	$ -	$ -	$ 217,776	$ 245,945
Agribusiness	325,476	78,393	12,206	-	337,682	78,393
Production and intermediate-term	13,934	181,968	-	-	13,934	181,968
Energy	44,932	-	-	-	44,932	-
Communications	41,519	-	-	-	41,519	-
Lease receivables	14,419	-	-	-	14,419	-
Total	$ 658,056	$ 506,306	$ 12,206	$ -	$ 670,262	$ 506,306

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
December 31, 2024	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 191,783	$ 251,746	$ -	$ -	$ 191,783	$ 251,746
Agribusiness	252,726	77,658	2,954	-	255,680	77,658
Production and intermediate-term	14,748	121,877	-	-	14,748	121,877
Energy	34,869	-	-	-	34,869	-
Communications	28,227	-	-	-	28,227	-
Lease receivables	16,724	-	-	-	16,724	-
Total	$ 539,077	$ 451,281	$ 2,954	$ -	$ 542,031	$ 451,281

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
December 31, 2023	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 173,408	$ 241,994	$ -	$ -	$ 173,408	$ 241,994
Agribusiness	224,206	84,648	4,196	-	228,402	84,648
Production and intermediate-term	19,294	183,177	-	-	19,294	183,177
Energy	37,240	-	-	-	37,240	-
Communications	12,949	-	-	-	12,949	-
Lease receivables	16,326	-	-	-	16,326	-
Total	$ 483,423	$ 509,819	$ 4,196	$ -	$ 487,619	$ 509,819

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 Association 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 Farm Credit Administration regulations, each association that makes 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% of the original appraised value of the property taken as security or up to 97% 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 mortgage may be made on a secured or unsecured basis.

The Association uses a two-dimensional loan risk rating model based on internally generated combined System risk rating guidance that incorporates a 14-point probability of default 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 rating is management's assumption of the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. 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 assumption of the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship. The Association reviews, at least on an annual basis or when a credit action is taken, the probability of default category.

Each of the probability of default categories carries a distinct percentage of default probability. The probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain. These 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, and/or collateral pledged on the loan,
- 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.

Dollars in thousands, except as noted

The following table presents credit quality indicators by loan type and the related principal balance as of December 31, 2025:

	Term Loans Amortized Cost by Origination Year							
	2025	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Real estate mortgage								
Acceptable	$ 62,996	$ 76,958	$ 53,775	$ 93,500	$ 136,648	$ 294,942	$ 222,212	$ 941,031
OAEM	7,883	-	7,930	11,155	3,286	13,294	1,406	44,954
Substandard	36	3,353	2,144	10,093	2,809	35,315	2,481	56,231
Total	70,915	80,311	63,849	114,748	142,743	343,551	226,099	1,042,216
Gross charge-offs	-	-	-	62	-	106	-	168
Agribusiness								
Acceptable	74,713	28,179	33,318	31,804	21,395	52,224	96,999	338,632
OAEM	-	5,819	-	2,631	657	5,535	7,307	21,949
Substandard	245	-	919	-	2,532	-	3,551	7,247
Total	74,958	33,998	34,237	34,435	24,584	57,759	107,857	367,828
Production and intermediate-term								
Acceptable	22,144	7,499	2,572	3,408	2,275	4,934	177,714	220,546
OAEM	14,519	263	-	621	218	1,080	16,395	33,096
Substandard	24,265	5,608	188	-	-	50	5,494	35,605
Total	60,928	13,370	2,760	4,029	2,493	6,064	199,603	289,247
Gross charge-offs	-	167	-	-	-	-	-	167
Energy								
Acceptable	11,859	-	13,181	10,886	-	-	9,006	44,932
Total	11,859	-	13,181	10,886	-	-	9,006	44,932
Communications								
Acceptable	14,844	17,747	3,922	-	-	-	6	36,519
Substandard	-	-	4,997	-	-	-	-	4,997
Total	14,844	17,747	8,919	-	-	-	6	41,516
Lease receivables								
Acceptable	2,228	280	804	4,644	374	3,369	-	11,699
OAEM	-	2,697	-	-	-	24	-	2,721
Total	2,228	2,977	804	4,644	374	3,393	-	14,420
Total loans	$ 235,732	$ 148,403	$ 123,750	$ 168,742	$ 170,194	$ 410,767	$ 542,571	$ 1,800,159
Total gross charge-offs	$ -	$ 167	$ -	$ 62	$ -	$ 106	$ -	$ 335

Dollars in thousands, except as noted

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

	Term Loans Amortized Cost by Origination Year							
	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Real estate mortgage								
Acceptable	$ 66,698	$ 77,132	$ 108,245	$ 150,213	$ 94,426	$ 246,242	$ 226,881	$ 969,837
OAEM	786	423	5,257	4,495	3,994	10,538	806	26,299
Substandard	3,318	8	14,322	-	6,336	20,354	2,404	46,742
Total	70,802	77,563	127,824	154,708	104,756	277,134	230,091	1,042,878
Gross charge-offs	-	-	55	-	-	-	-	55
Agribusiness								
Acceptable	34,014	30,905	33,671	24,550	5,302	54,258	99,144	281,844
OAEM	-	-	-	-	-	-	3,429	3,429
Substandard	-	919	3,002	742	-	2,276	-	6,939
Total	34,014	31,824	36,673	25,292	5,302	56,534	102,573	292,212
Production and intermediate-term								
Acceptable	16,269	6,328	1,459	3,171	1,589	6,701	179,121	214,638
OAEM	3,632	660	-	255	499	1,032	10,288	16,366
Substandard	29,724	446	11	-	-	-	1,679	31,860
Total	49,625	7,434	1,470	3,426	2,088	7,733	191,088	262,864
Gross charge-offs	-	35	-	-	-	-	-	35
Energy								
Acceptable	-	13,546	12,394	-	-	-	8,929	34,869
Total	-	13,546	12,394	-	-	-	8,929	34,869
Communications								
Acceptable	14,392	8,931	-	4,902	-	-	2	28,227
Total	14,392	8,931	-	4,902	-	-	2	28,227
Lease receivables								
Acceptable	307	1,100	4,332	709	95	5,171	-	11,714
OAEM	-	-	-	-	-	46	-	46
Substandard	3,082	-	1,105	65	60	661	-	4,973
Total	3,389	1,100	5,437	774	155	5,878	-	16,733
Gross charge-offs	-	-	-	1	-	5	-	6
Total loans	$ 172,222	$ 140,398	$ 183,798	$ 189,102	$ 112,301	$ 347,279	$ 532,683	$ 1,677,783
Total gross charge-offs	$ -	$ 35	$ 55	$ 1	$ -	$ 5	$ -	$ 96

Dollars in thousands, except as noted

The following table presents credit quality indicators by loan type and the related principal balance as of December 31, 2023:

	Term Loans Amortized Cost by Origination Year							
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Real estate mortgage								
Acceptable	$ 78,921	$ 121,937	$ 171,712	$ 98,755	$ 68,423	$ 197,756	$ 179,764	$ 917,268
OAEM	-	2,841	-	6,540	2,076	12,266	2,022	25,745
Substandard	2	7,675	-	-	1,685	13,873	1,243	24,478
Total	78,923	132,453	171,712	105,295	72,184	223,895	183,029	967,491
Agribusiness								
Acceptable	32,569	35,495	24,727	6,192	7,397	51,895	86,980	245,255
Substandard	20	3,374	824	-	378	3,251	5,093	12,940
Total	32,589	38,869	25,551	6,192	7,775	55,146	92,073	258,195
Production and intermediate-term								
Acceptable	19,357	5,744	8,933	2,369	10,528	1,173	197,399	245,503
OAEM	2,681	-	-	93	1,319	-	8,089	12,182
Substandard	9,622	2,398	-	-	-	23	-	12,043
Total	31,660	8,142	8,933	2,462	11,847	1,196	205,488	269,728
Gross charge-offs	-	-	-	116	-	-	-	116
Energy								
Acceptable	15,542	12,514	-	-	-	-	9,184	37,240
Total	15,542	12,514	-	-	-	-	9,184	37,240
Communications								
Acceptable	6,744	-	4,953	-	-	-	1,252	12,949
Total	6,744	-	4,953	-	-	-	1,252	12,949
Lease receivables								
Acceptable	1,167	5,948	1,047	14	817	8,015	-	17,008
OAEM	-	-	-	-	-	61	-	61
Substandard	-	-	-	160	-	-	-	160
Total	1,167	5,948	1,047	174	817	8,076	-	17,229
Total loans	$ 166,625	$ 197,926	$ 212,196	$ 114,123	$ 92,623	$ 288,313	$ 491,026	$ 1,562,832
Total gross charge-offs	$ -	$ -	$ -	$ 116	$ -	$ -	$ -	$ 116

Dollars in thousands, except as noted

The following table shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of December 31, 2025, 2024, and 2023:

December 31, 2025	Acceptable	OAEM	Substandard	Total
Real estate mortgage	90.29%	4.31%	5.40%	100.00%
Agribusiness	92.06%	5.97%	1.97%	100.00%
Production and intermediate-term	76.25%	11.44%	12.31%	100.00%
Energy	100.00%	0.00%	0.00%	100.00%
Communications	87.96%	0.00%	12.04%	100.00%
Lease receivables	81.13%	18.87%	0.00%	100.00%
Total loans	88.51%	5.71%	5.78%	100.00%

December 31, 2024	Acceptable	OAEM	Substandard	Total
Real estate mortgage	93.00%	2.52%	4.48%	100.00%
Agribusiness	96.46%	1.17%	2.37%	100.00%
Production and intermediate-term	81.65%	6.23%	12.12%	100.00%
Energy	100.00%	0.00%	0.00%	100.00%
Communications	100.00%	0.00%	0.00%	100.00%
Lease receivables	70.01%	0.27%	29.72%	100.00%
Total loans	91.86%	2.75%	5.39%	100.00%

December 31, 2023	Acceptable	OAEM	Substandard	Total
Real estate mortgage	94.81%	2.66%	2.53%	100.00%
Agribusiness	94.99%	0.00%	5.01%	100.00%
Production and intermediate-term	91.02%	4.52%	4.46%	100.00%
Energy	100.00%	0.00%	0.00%	100.00%
Communications	100.00%	0.00%	0.00%	100.00%
Lease receivables	98.72%	0.35%	0.93%	100.00%
Total loans	94.40%	2.43%	3.17%	100.00%

A substantial portion of the Association's loans are collateralized. Accordingly, the Association's exposure to credit loss associated with lending activities is considerably less than the recorded loan balances. An estimate of the Association's current loss exposure is indicated in the Consolidated Statements of Condition in the allowance for credit losses.

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed or enhanced by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in the loan to value ratios in excess of the regulatory maximum.

Dollars in thousands, except as noted

Nonperforming assets (which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned) and related credit quality statistics are as follows:

	2025	2024	2023
Nonaccrual loans:			
Real estate mortgage	$ 15,906	$ 3,525	$ 1,156
Communications	5,000	-	-
Agribusiness	1,523	-	1,104
Production and intermediate-term	411	962	36
Lease receivables	-	1,279	69
Total nonaccrual loans	22,840	5,766	2,365
Accruing loans 90 days or more past due	-	2,236	2,635
Total nonperforming loans	22,840	8,002	5,000
Other property owned	-	-	-
Total nonperforming assets	$ 22,840	$ 8,002	$ 5,000
Nonaccrual loans as a percentage of total loans	1.27%	0.34%	0.15%
Nonperforming assets as a percentage of total loans	1.27%	0.48%	0.32%
Nonperforming assets as a percentage of total members' equity	6.64%	2.42%	1.57%

The following table provides the amortized cost for nonaccrual loans with and without a related allowance for credit losses, as well as interest income recognized on nonaccrual during the period ended December 31, 2025, 2024, and 2023:

	December 31, 2025			Interest Income Recognized
	Amortized Cost with Related Allowance	Amortized Cost without Related Allowance	Total	For the Year Ended December 31, 2025
Nonaccrual loans:				
Real estate mortgage	$ 2,106	$ 13,800	$ 15,906	$ 120
Agribusiness	-	1,523	1,523	21
Production and intermediate-term	-	411	411	7
Communications	5,000	-	5,000	-
Lease receivables	-	-	-	37
Total nonaccrual loans	$ 7,106	$ 15,734	$ 22,840	$ 185

	December 31, 2024			Interest Income Recognized
	Amortized Cost with Related Allowance	Amortized Cost without Related Allowance	Total	For the Year Ended December 31, 2024
Nonaccrual loans:				
Real estate mortgage	$ -	$ 3,525	$ 3,525	$ 126
Production and intermediate-term	11	951	962	-
Lease receivables	-	1,279	1,279	-
Total nonaccrual loans	$ 11	$ 5,755	$ 5,766	$ 126

Dollars in thousands, except as noted

	December 31, 2023			Interest Income Recognized
	Amortized Cost with Related Allowance	Amortized Cost without Related Allowance	Total	For the Year Ended December 31, 2023
Nonaccrual loans:				
Real estate mortgage	$ -	$ 1,156	$ 1,156	$ -
Agribusiness	-	1,104	1,104	-
Production and intermediate-term	12	24	36	-
Lease receivables	-	69	69	-
Total nonaccrual loans	$ 12	$ 2,353	$ 2,365	$ -

Accrued interest receivable on loans of $37.4 million, $39.7 million, and $39.1 million at December 31, 2025, 2024, and 2023, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Statements of Condition. The Association wrote off accrued interest receivable of $705 thousand during 2025.

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment as of December 31, 2025, 2024, and 2023:

December 31, 2025	Current Loans	30-89 Days Past Due	90 Days or More Past Due	Total Loans Outstanding	Accrual Loans 90 Days or More Past Due
Real estate mortgage	$ 1,017,851	$ 8,640	$ 15,725	$ 1,042,216	$ -
Agribusiness	365,438	2,391	-	367,829	-
Production and intermediate-term	276,168	12,668	411	289,247	-
Energy	44,932	-	-	44,932	-
Communications	39,006	-	2,510	41,516	-
Lease receivables	14,419	-	-	14,419	-
Total	$ 1,757,814	$ 23,699	$ 18,646	$ 1,800,159	$ -

December 31, 2024	Current Loans	30-89 Days Past Due	90 Days or More Past Due	Total Loans Outstanding	Accrual Loans 90 Days or More Past Due
Real estate mortgage	$ 1,037,744	$ 8	$ 5,126	$ 1,042,878	$ 1,806
Agribusiness	292,212	-	-	292,212	-
Production and intermediate-term	257,695	4,059	1,110	262,864	430
Energy	34,869	-	-	34,869	-
Communications	28,227	-	-	28,227	-
Lease receivables	16,372	361	-	16,733	-
Total	$ 1,667,119	$ 4,428	$ 6,236	$ 1,677,783	$ 2,236

Dollars in thousands, except as noted

December 31, 2023	Current Loans	30-89 Days Past Due	90 Days or More Past Due	Total Loans Outstanding	Accrual Loans 90 Days or More Past Due
Real estate mortgage	$ 963,425	$ 1,294	$ 2,772	$ 967,491	$ 2,168
Agribusiness	258,195	-	-	258,195	-
Production and intermediate-term	266,943	2,282	503	269,728	467
Energy	37,240	-	-	37,240	-
Communications	12,949	-	-	12,949	-
Lease receivables	17,099	130	-	17,229	-
Total	$ 1,555,851	$ 3,706	$ 3,275	$ 1,562,832	$ 2,635

Loan Modifications to Borrowers Experiencing Financial Difficulties

Upon the adoption of ASU 2022-02, Financial Instruments - Credit Losses, Troubled Debt Restructurings and Vintage Disclosure, creditors are required to disclose specific modifications with borrowers that are experiencing financial difficulty.

The following tables show the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during 2025 and 2024, disaggregated by loan type and type of modification granted.

	For the Year Ended December 31, 2025			
	Term Extension	Payment Extension	Total	Modification as a Percentage of Loan Type
Real estate mortgage	$ -	$ 2,981	$ 2,981	0.29%
Production and intermediate-term	16,593	-	16,593	5.74%
Total	$ 16,593	$ 2,981	$ 19,574	1.09%

	For the Year Ended December 31, 2024			
	Term Extension	Payment Extension	Total	Modification as a Percentage of Loan Type
Real estate mortgage	$ -	$ 14,364	$ 14,364	1.38%
Agribusiness	1,610	-	1,610	0.55%
Total	$ 1,610	$ 14,364	$ 15,974	0.95%

The Association had no loan modifications to disclose for the year ended December 31, 2023.

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty during 2025, 2024, and 2023 was $531 thousand at December 31, 2025, $306 thousand at December 31, 2024, and $0 at December 31, 2023.

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty during 2025, 2024, and 2023.

	For the Year Ended December 31, 2025		For the Year Ended December 31, 2024		For the Year Ended December 31, 2023	
	Weighted Average Term Extension (in days)	Weighted Average Payment Extension (in days)	Weighted Average Term Extension (in days)	Weighted Average Payment Extension (in days)	Weighted Average Term Extension (in days)	Weighted Average Payment Extension (in days)
Real estate mortgage	-	319	-	365	-	-
Agribusiness	-	-	365	-	-	-
Production and intermediate-term	290	-	-	-	-	-

Dollars in thousands, except as noted

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified on or after January 1, 2025, through December 31, 2025:

	Payment Status of Loans Modified in the Past 12 Months[1]		
	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ 2,981	$ -	$ -
Production and intermediate-term	16,593	-	-
Total	$ 19,574	$ -	$ -

[1] *Excludes loans that were modified during the period, but were paid off or sold prior to period end.*

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified were $348 thousand at December 31, 2025.

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified on or after January 1, 2024, through December 31, 2024:

	Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
Real estate mortgage	$ 14,364	$ -	$ -
Agribusiness	1,610	-	-
Total	$ 15,974	$ -	$ -

Additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified were $2.4 million at December 31, 2024.

Allowance for Credit Losses

The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation and is generally incorporated into the Association's loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by the Association to manage credit exposure. By regulation, loan commitments to one borrower cannot be more than 15% of our regulatory capital. To further mitigate loan concentration risks, we have established internal lending limits that are below the regulatory requirements that are based on the risk associated with individual borrowers. A summary of changes in the allowance for credit losses by portfolio segment is as follows:

December 31, 2025	Real Estate Mortgage	Agribusiness	Production and Intermediate-term	Energy	Communications	Lease Receivables	Total
Allowance for credit losses:							
Balance at December 31, 2024	$ 682	$ 1,582	$ 588	$ 46	$ 49	$ 454	$ 3,401
Charge-offs	(168)	-	(167)	-	-	-	(335)
Recoveries	-	-	2	-	-	6	8
Provision for credit losses (credit loss reversal)	308	388	(46)	78	1,801	(324)	2,205
Balance at December 31, 2025	$ 822	$ 1,970	$ 377	$ 124	$ 1,850	$ 136	$ 5,279
Reserve for unfunded commitments:							
Balance at December 31, 2024	$ 23	$ 84	$ 41	$ -	$ 11	$ -	$ 159
Provision for credit losses (credit loss reversal)	(9)	101	(6)	12	6	3	107
Balance at December 31, 2025	$ 14	$ 185	$ 35	$ 12	$ 17	$ 3	$ 266
Total allowance for credit losses	$ 836	$ 2,155	$ 412	$ 136	$ 1,867	$ 139	$ 5,545

Dollars in thousands, except as noted

December 31, 2024	Real Estate Mortgage	Agribusiness	Production and Intermediate-term	Energy	Communications	Lease Receivables	Total
Allowance for credit losses:							
Balance at December 31, 2023	$ 773	$ 1,712	$ 353	$ 68	$ 27	$ 105	$ 3,038
Charge-offs	(55)	-	(35)	-	-	(6)	(96)
Provision for credit losses (credit loss reversal)	(36)	(130)	270	(22)	22	355	459
Balance at December 31, 2024	$ 682	$ 1,582	$ 588	$ 46	$ 49	$ 454	$ 3,401
Reserve for unfunded commitments:							
Balance at December 31, 2023	$ 31	$ 129	$ 54	$ -	$ 11	$ 26	$ 251
Credit loss reversal	(8)	(45)	(13)	-	-	(26)	(92)
Balance at December 31, 2024	$ 23	$ 84	$ 41	$ -	$ 11	$ -	$ 159
Total allowance for credit losses	$ 705	$ 1,666	$ 629	$ 46	$ 60	$ 454	$ 3,560

December 31, 2023	Real Estate Mortgage	Agribusiness	Production and Intermediate-term	Energy	Communications	Lease Receivables	Total
Allowance for credit losses:							
Balance at January 1, 2023	$ 2,281	$ 943	$ 751	$ -	$ -	$ 119	$ 4,094
Charge-offs	-	-	(116)	-	-	-	(116)
(Credit loss reversal) provision for credit losses	(1,508)	769	(282)	68	27	(14)	(940)
Balance at December 31, 2023	$ 773	$ 1,712	$ 353	$ 68	$ 27	$ 105	$ 3,038
Reserve for unfunded commitments:							
Balance at January 1, 2023	$ 154	$ 46	$ 206	$ 3	$ -	$ 52	$ 461
(Credit loss reversal) provision for credit losses	(123)	83	(152)	(3)	11	(26)	(210)
Balance at December 31, 2023	$ 31	$ 129	$ 54	$ -	$ 11	$ 26	$ 251
Total allowance for credit losses	$ 804	$ 1,841	$ 407	$ 68	$ 38	$ 131	$ 3,289

4. INVESTMENT IN COBANK

At December 31, 2025, the Association's investment in CoBank is in the form of Class A stock with a par value of one hundred dollars per share. The Association is required to own stock in CoBank to capitalize its direct loan balance and participation loans sold to CoBank. The current requirement for capitalizing its direct loan from CoBank is 3 percent of the Association's prior one-year average direct loan balance. Under the current CoBank capital plan applicable to such participations sold, patronage from CoBank related to these participations sold is paid 75 percent cash and 25 percent Class A stock. The capital plan is evaluated annually by CoBank's board of directors and management and is subject to change.

CoBank may require the holders of its equities to subscribe to such additional capital as may be needed to meet its capital requirements or its joint and several liability under the Farm Credit Act and regulations. In making such a capital call, CoBank shall take into account the financial condition of each such holder and such other considerations, as it deems appropriate.

The Association owned approximately 1.04% of the outstanding common stock of CoBank at December 31, 2025.

5. PREMISES AND EQUIPMENT

Premises and equipment consist of land, buildings, leasehold improvements, furniture, fixtures, equipment, software, and automobiles. The following table presents the major components of premises and equipment:

As of December 31	2025	2024	2023
Land, buildings, and improvements	$ 11,355	$ 11,267	$ 11,113
Furniture and equipment	2,680	2,487	2,402
Software	2,930	2,930	2,925
Automobiles	92	63	25
Less: accumulated depreciation and amortization	(8,071)	(7,478)	(6,881)
Total premises and equipment, net	$ 8,986	$ 9,269	$ 9,584

Dollars in thousands, except as noted

The Association is obligated for rental payments under certain non-cancelable operating leases. Rental payments for the years ended December 31, 2025, 2024, and 2023 totaled $69 thousand, $71 thousand, and $67 thousand, respectively. Future minimum lease payments on all non-cancelable operating leases with initial or remaining terms in excess of one year are as follows:

As of December 31,	
2026	$ 63
2027	25
Total	$ 88

6. OTHER ASSETS AND OTHER LIABILITIES

A summary of other assets and other liabilities as of December 31 follows:

Other assets	2025	2024	2023
Accounts receivable	$ 9,347	$ 9,060	$ 8,830
Prepaid benefit expense	8,848	8,983	9,155
Equity investments	2,382	2,315	2,280
Other	741	715	669
Total	$ 21,318	$ 21,073	$ 20,934

Other liabilities	2025	2024	2023
Accrued salaries and employee benefits	$ 3,044	$ 2,923	$ 2,507
Accounts payable	1,530	1,531	2,216
Other	893	370	325
Total	$ 5,467	$ 4,824	$ 5,048

7. NOTE PAYABLE TO COBANK

The Association's indebtedness to CoBank represents borrowings by the Association to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and is governed by a General Financing Agreement (GFA), which provides for an open-ended revolving line of credit. The GFA and promissory note are subject to periodic renewals in the normal course of business. The GFA matures on May 31, 2028. The Association was in compliance with the terms and conditions of the GFA throughout 2025.

Substantially all borrower loans are match-funded with CoBank. Payments and disbursements are made on the note payable to CoBank on the same basis the Association collects payments from and disburses on borrower loans. The interest rate may periodically be adjusted by CoBank based on the terms and conditions of the borrowing. The weighted average interest rate was 4.58% for the year ended December 31, 2025, compared with 5.38% for the year ended December 31, 2024, and 5.22% for the year ended December 31, 2023.

The Association has the opportunity to commit funds with CoBank under a variety of programs at either fixed or variable rates for specified timeframes. Participants in the program receive a credit on the committed loanable funds balance classified as a reduction of interest expense. These committed loanable funds are netted against the note payable to CoBank. The committed funds as of December 31 are as follows:

	2025	2024	2023
Committed funds	$ 318,265	$ 296,496	$ 295,381
Average rates	2.65%	2.68%	2.28%

Under the Farm Credit Act, the Association is obligated to borrow only from CoBank, unless CoBank gives approval to borrow elsewhere. CoBank, consistent with FCA regulations, has established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2025, the Association's note payable is within the specified limitations.

Dollars in thousands, except as noted

8. MEMBERS' EQUITY

Descriptions of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below:

Capital Stock and Participation Certificates

In accordance with the Farm Credit Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The borrower normally acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment. Generally, the aggregate par value of the stock is added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. In accordance with the Farm Credit Act, such equities are unprotected and at risk. Retirement of such equities will be solely at the discretion of the Board of Directors and generally be at the lower of par or book value. Repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates.

Capitalization bylaws allow stock requirements to range from the lesser of one thousand dollars or two (2) to ten (10) percent of the member's collective loan or commitment balance. The Board of Directors has the authority to change the minimum required stock level of a shareholder as long as the change is within this range. Currently, the Association has a stock requirement of one thousand dollars per customer.

Regulatory Capitalization Requirements and Restrictions

The following sets forth the regulatory capital ratio requirements and ratios at December 31, 2025:

	December 31, 2025	Regulatory Minimum	Capital Conservation Buffer	Total
Risk adjusted:				
Common equity tier 1 (CET1) capital ratio	14.64%	4.50%	2.50%	7.00%
Tier 1 capital ratio	14.64%	6.00%	2.50%	8.50%
Total capital ratio	14.88%	8.00%	2.50%	10.50%
Permanent capital ratio	14.67%	7.00%	-	7.00%
Non-risk-adjusted:				
Tier 1 leverage ratio	16.70%	4.00%	1.00%	5.00%
Unallocated retained earnings (URE) and URE equivalents (UREE) leverage ratio	16.66%	1.50%	-	1.50%

System regulation empowers FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. This regulation has not been utilized to date. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

Description of Equities

Each owner of class C capital stock is entitled to a single vote. Other classes of borrower equities do not provide voting rights to their owners. Voting stock may not be transferred to another person unless such person is eligible to hold voting stock. At December 31, 2025, the Association had the following classes of equity outstanding, all at a par value of five dollars per share/unit.

Class	Number of Shares	Voting	Protected
C - common stock	141,200	Yes	No
F - participation certificates	400	No	No

The Association has the authority to issue other classes of stock, no shares of which are outstanding. The voting rights, duties, and liabilities of such classes of stock are similar to the classes of stock discussed above.

Dollars in thousands, except as noted

Losses that result in impairment of capital stock and participation certificates will be allocated to the classes of equity described above on a pro-rata basis. Upon liquidation of the Association, any assets remaining after the settlement of all liabilities will be distributed first to redeem the par value of protected equities and then to redeem the par value of unprotected equities.

Any assets remaining after such distribution will be shared, pro-rata, by all stock and certificate holders of record immediately before the liquidation distribution.

Patronage Program

The Association has a patronage program that allows it to distribute available net earnings to its members. At each year end, the Board of Directors evaluates whether to retain the Association's net income to strengthen its capital position or to distribute a portion of the patronage-sourced net income to its members by declaring a cash patronage distribution. For 2025, the Association allocated 52 percent of its patronage-sourced net income to its patrons. In accordance with Subchapter T of the Internal Revenue Code, the portion of patronage-sourced net income not distributed in cash may also be allocated to members in the form of nonqualified written notices of allocation. The Board of Directors considers these nonqualified allocations as retained earnings to be permanently invested in the Association. As such, there is no current plan to revolve or redeem these amounts. No express or implied right to have such capital retired or revolved at any time is granted.

Accumulated Other Comprehensive Loss (AOCL)

The Association reported an accumulated other comprehensive loss (AOCL) in its Consolidated Statements of Condition and Consolidated Statements of Changes in Members' Equity. As described in Note 2, "Summary of Significant Accounting Policies," these losses result solely from the recognition of the Pension Restoration Plan's net actuarial losses. While no AOCL was reported in 2024 or 2023, the Association recognized a loss of $595 thousand in 2025. There were no other items affecting comprehensive loss during these periods.

9. PATRONAGE DISTRIBUTION FROM FARM CREDIT INSTITUTIONS

Patronage income recognized from Farm Credit institutions to the Association follows:

As of December 31	2025	2024	2023
CoBank	$ 9,300	$ 8,967	$ 8,799
Farm Credit Foundations	10	22	18
District Associations	2,283	2,849	2,448
Total	$ 11,593	$ 11,838	$ 11,265

Patronage distributed from CoBank was in cash and stock. These distributions are accrued monthly based on estimates provided by CoBank. The amount earned in 2025 was accrued and will be paid by CoBank in March 2026. The amount earned and accrued in 2024 was paid by CoBank in March 2025. The amount earned and accrued in 2023 was paid by CoBank in March 2024.

Farm Credit Foundations, a human resource service provider for a number of Farm Credit institutions, provides the Association's payroll and human resource services. Patronage distributed by Farm Credit Foundations was in cash and was recorded in the year received.

Patronage distributions from District Associations were in cash and recorded in the year received. These distributions represent patronage related to loan participation activity with other District Associations.

Dollars in thousands, except as noted

10. INCOME TAXES

The provision for income taxes follows:

As of December 31	2025	2024	2023
Current:			
Federal	$ -	$ -	$ -
State	2	2	2
Deferred:			
Federal	-	-	-
State	-	-	-
Provision for income taxes	$ 2	$ 2	$ 2

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows:

	2025		2024		2023	
As of December 31	Amount	Percent	Amount	Percent	Amount	Percent
Federal tax at statutory rate	$ 5,914	21.00%	$ 5,871	21.00%	$ 5,595	21.00%
State tax, net	1	0.00%	1	0.00%	1	0.00%
Effect of non-taxable FLCA income	(7,382)	-26.00%	(7,163)	-26.00%	(6,102)	-23.00%
Adjustments to valuation allowance	1,469	5.00%	1,293	5.00%	508	2.00%
Provision for income taxes	$ 2	0.00%	$ 2	0.00%	$ 2	0.00%

Deferred tax assets and liabilities are comprised of the following:

As of December 31	2025	2024	2023
Gross deferred tax asset:			
Allowance for credit losses	$ 264	$ 314	$ 197
Interest on nonaccrual loans	16	-	-
Net loss carryforward	4,617	3,122	1,956
Gross deferred tax asset	4,897	3,436	2,153
Less: valuation allowance	(3,921)	(2,452)	(1,160)
Deferred tax assets, net of valuation allowance	976	984	993
Gross deferred tax liability:			
Bank patronage allocations	(561)	(561)	(432)
Stock patronage distributions from system banks	(415)	(423)	(561)
Gross deferred tax liability	(976)	(984)	(993)
Net deferred tax asset	$ -	$ -	$ -

The calculation of deferred tax assets and liabilities involves various management estimates and assumptions as to future taxable earnings, including the amount of non-patronage income and patronage income retained. The expected future tax rates are based upon enacted tax laws.

The Association recorded a valuation allowance of $3.9 million in 2025, $2.5 million in 2024, and $1.2 million in 2023. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly. At December 31, 2025, the Association had deferred tax assets related to federal and state net operating losses of $4.2 million that have an indefinite carryforward period and $443 thousand that expire between 2032 and 2037.

The Association has no uncertain tax positions as of December 31, 2025, 2024, or 2023. The Association accounts for income taxes in accordance with Accounting Standards Codification (ASC) 740, *Income Taxes*, which provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the consolidated financial statements.

ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Association's tax returns to determine whether the tax positions are more-likely-than-not of being sustained upon examination by the applicable tax authority, based on the technical merits of the tax position, and then measuring the tax benefit that is more-likely-than-not to be realized. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current reporting period. The tax years that remain open for federal and major state income tax jurisdictions are 2022 and forward.

11. EMPLOYEE BENEFIT PLANS

Certain employees participate in the Eleventh District Defined Benefit Retirement Plan, a multi-employer defined benefit retirement plan (Defined Benefit Plan). The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan's benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan's termination is contingent on the sufficiency of the plan's net assets to provide benefits at that time. This Plan is noncontributory and covers eligible employees. The assets, liabilities, and costs of the plan are not segregated by participating entities. As such, plan assets are available for any of the participating employers' retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if the Association chooses to stop participating in the plan, the Association may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Because of the multi-employer nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee moves to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

The Defined Benefit Plan reflects a funded asset totaling $16.2 million at December 31, 2025. The pension benefits funding status reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these consolidated financial statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The projected benefit obligation of the plan was $209.8 million at December 31, 2025, $212.4 million at December 31, 2024, and $243.7 million at December 31, 2023. The fair value of the plan assets was $226.0 million at December 31, 2025, $221.4 million at December 31, 2024, and $243.3 million at December 31, 2023. The amount of the pension benefits funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to its current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. The Association recognizes its proportional share of expense and contributes a proportional share of funding. Total plan expense for participating employers was $2.5 million in 2025, $3.8 million in 2024, and $4.7 million in 2023. The Association's allocated share of plan expenses included in salaries and employee benefits was $221 thousand in 2025, $324 thousand in 2024, and $384 thousand in 2023. Participating employers contributed $0.3 million in 2025, $1.1 million in 2024, and $1.5 million in 2023 to the plan. The Association's allocated share of these pension contributions was $86 thousand in 2025, $152 thousand in 2024, and $157 thousand in 2023. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants.

The amount of the total employer contributions expected to be paid into the pension plans during 2026 is $0. The Association's allocated share of these pension contributions is expected to be $0. The amount ultimately to be contributed and the amount ultimately recognized as expense, as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than anticipated.

Postretirement benefits other than pensions are also provided through the Farm Credit Foundations Retiree Medical and Retiree Life Plans to eligible current and retired employees of the Association. Benefits provided are determined on a graduated scale, based on years of service. The anticipated costs of these benefits are accrued during the period of the employee's active service. Postretirement benefits expense (primarily health care benefits and life insurance) included in salaries and employee benefits were $5 thousand in 2025. Postretirement benefits contra-expense (primarily health care benefits and life insurance) included in salaries and employee benefits was $1 thousand in 2024 and 2023. These expenses are equal to the Association's cash contributions for each year.

Dollars in thousands, except as noted

The Association participates in a non-qualified defined benefit Pension Restoration Plan that is unfunded. The plan provides retirement benefits above the Internal Revenue Code compensation limit to certain highly compensated eligible employees. Benefits payable under the Pension Restoration Plan are offset by the benefits payable from the Pension Plan.

The funding status and the amounts recognized in the Consolidated Statements of Condition for the Association's Pension Restoration Plan follows:

	2025	2024	2023
Change in benefit obligation			
Benefit obligation at beginning of the year	$ -	$ -	$ -
Actuarial loss	595	-	-
Benefit obligation at end of the year	$ 595	$ -	$ -

The fair value of the Association's plan assets related to the Pension Restoration Plan was $0 as of 2025, 2024, and 2023.

	2025	2024	2023
Amounts recognized in the Consolidated Statements of Condition as of December 31 consist of:			
Current liabilities	$ (208)	$ -	$ -
Noncurrent liabilities	(387)	-	-
Net amount recognized	$ (595)	$ -	$ -
Amounts recognized in accumulated other comprehensive loss consist of:			
Unrecognized net actuarial loss	$ (595)	$ -	$ -
Net amount recognized	$ (595)	$ -	$ -

Information for pension plans with a projected benefit obligation in excess of plan assets:

	2025	2024	2023
Projected benefit obligation	$ 595	$ -	$ -
Fair value of plan assets	$ -	$ -	$ -

Components of other amounts recognized in other comprehensive loss as of December 31 are as follows:

	2025	2024	2023
Other changes in plan assets and benefit obligations recognized in other comprehensive loss			
Net actuarial loss	$ (595)	$ -	$ -
Total recognized in other comprehensive loss	$ (595)	$ -	$ -

Weighted average assumptions used to determine benefit obligations at December 31:

	2025	2024	2023
Discount rate	4.72%	0%	0%

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Pension restoration benefit payouts	
2026	$ 208
2027	208
2028	208

The Association also participates in the Farm Credit Foundations Defined Contribution/401(k) Plan (Contribution Plan). The Contribution Plan has two components. Employees who do not participate in the Defined Benefit Plan may receive benefits through the employer contribution portion of the Contribution Plan. In this plan, the Association provides a monthly contribution based on a defined percentage of the employee's salary. Employees may also participate in a Salary Deferral Plan governed by Section 401(k) of the Internal Revenue Code. The Association matches a certain percentage of employee contributions. Employer contributions to the Contribution Plan were $1.3 million in 2025, $1.2 million in 2024, and $1.1 million in 2023.

Dollars in thousands, except as noted

12. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Association enters into loan transactions with directors of the Association, their immediate families, and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedules, and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

The Association has a policy that loans to directors must be maintained at an Acceptable or Other Assets Especially Mentioned (OAEM) credit classification. If the loan falls below the OAEM credit classification, corrective action must be taken and the loan brought back to either Acceptable or OAEM within 30 days. If not, the director must resign from the Board of Directors.

The Association has a policy that employees, including senior officers, may not enter into loan transactions with the Association. Loan information associated with related parties is shown below:

As of December 31	2025	2024	2023
Beginning balance	$ 54,663	$ 70,931	$ 63,414
New loans	37,775	94,650	92,604
Repayments	(33,333)	(86,144)	(85,087)
Reclassifications[1]	2,134	(24,774)	-
Ending balance	$ 61,239	$ 54,663	$ 70,931

[1] Represents loans that were once considered related party but are no longer considered related party, or loans that were not related party that subsequently became related party loans.

During 2025, loans to one director became 90 days or more past due and were downgraded below the OAEM credit classification. While these loans were past due and undergoing corrective action, they were considered to involve more than normal risk of collectability. The loans returned to performing status within the 30-day requirement. As of December 31, 2025, all loans outstanding to directors are current and, in management's opinion, do not involve more than normal risk of collectability.

The Association also has business relationships with certain other System entities. We purchase technology and other operational services from Financial Partners, Inc. (FPI), which is a technology service corporation. The Association is not a shareholder of FPI. The Association paid $216 thousand in 2025, $201 thousand in 2024, and $173 thousand in 2023 to Farm Credit Foundations for human resource services.

During 2016, the Association entered into an operating lease agreement with Farm Credit Leasing Services (FCL), which is a wholly-owned subsidiary of CoBank, for the construction of a solar power system. In December 2016, the solar equipment was placed into service and the lease agreement commenced with rental payments beginning in January 2017. The Association paid rental payments of $27 thousand to CoBank in 2025, $29 thousand in 2024, and $28 thousand in 2023. Future rental payments associated with the above operating lease are detailed in Note 5, "Premises and Equipment."

13. REGULATORY ENFORCEMENT MATTERS

There are no regulatory enforcement actions in effect for the Association.

14. COMMITMENTS AND CONTINGENCIES

The Association has various commitments outstanding and contingent liabilities. The Association may participate in financial instruments with off-balance sheet risk to satisfy the financing needs of its borrowers and to manage their exposure to interest rate risk. These financial instruments include commitments to extend credit. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract.

Dollars in thousands, except as noted

Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. At December 31, 2025, $720.4 million of commitments to extend credit were outstanding.

As commitments may expire before being fully drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance sheet credit risk because their amounts are not reflected on the Consolidated Statements of Condition until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

The Association also participates in standby letters of credits to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2025, the Association had $727 thousand of standby letters of credit outstanding with a nominal fair value. Outstanding standby letters of credit have expiration dates ranging from 2026 to 2028. The maximum potential amount of future payments the Association is required to make under the guarantees is $727 thousand.

The Association has set aside a reserve for unfunded commitments in the amount of $266 thousand in 2025, $159 thousand in 2024, and $251 thousand in 2023, which is included in liabilities on the Consolidated Statements of Condition. The adequacy of the reserve is evaluated regularly to determine if any increase or decrease to the reserve is warranted and, when necessary, the provision expense is recorded in other noninterest expense in the Consolidated Statements of Income.

With regard to contingent liabilities, there are no actions pending against the Association in which claims for monetary damages are asserted.

15. FAIR VALUE MEASUREMENTS

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. The fair value measurement is not an indication of liquidity. See Note 2, "Summary of Significant Accounting Policies" for additional information. The Association has no assets or liabilities measured at fair value on a recurring or non-recurring basis as of the years ended December 31, 2025, 2024, and 2023.

16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly results of operations for the years ended December 31, 2025, 2024, and 2023, follow:

Quarters ending in 2025	First	Second	Third	Fourth	Total
Net interest income	$ 12,074	$ 11,861	$ 11,690	$ 11,931	$ 47,556
(Credit loss reversal) provision for credit losses	(49)	367	1,410	477	2,205
Noninterest expense, net	3,246	4,803	4,860	4,283	17,192
Net income	$ 8,877	$ 6,691	$ 5,420	$ 7,171	$ 28,159

Quarters ending in 2024	First	Second	Third	Fourth	Total
Net interest income	$ 10,905	$ 10,767	$ 11,094	$ 11,114	$ 43,880
Provision for credit losses (credit loss reversal)	45	199	258	(43)	459
Noninterest expense, net	2,180	4,418	4,599	4,267	15,464
Net income	$ 8,680	$ 6,150	$ 6,237	$ 6,890	$ 27,957

Quarters ending in 2023	First	Second	Third	Fourth	Total
Net interest income	$ 10,049	$ 9,934	$ 10,041	$ 10,327	$ 40,351
(Credit loss reversal) provision for credit losses	300	(142)	(1,051)	(47)	(940)
Noninterest expense, net	2,147	3,987	4,298	4,220	14,652
Net income	$ 7,602	$ 6,089	$ 6,794	$ 6,154	$ 26,639

17. SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 16, 2026, which is the date the consolidated financial statements were available to be issued, and no material subsequent events were identified.

DISCLOSURE INFORMATION

Unaudited

DESCRIPTION OF BUSINESS

The description of the territory served, persons eligible to borrow, types of lending activities engaged in, financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1, "Organization and Operations," included in this annual report to shareholders.

The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or dispositions of material assets, material changes in the manner of conducting the business, seasonal characteristics, and concentrations of assets, if any, required to be disclosed in this section, is incorporated herein by reference from "Management's Discussion and Analysis" (MD&A) included in this annual report to shareholders.

DESCRIPTION OF PROPERTY

The following table sets forth certain information regarding the properties of the Association:

Location	Description	Form of Ownership
4635 West Spruce, Fresno, California	Corporate Headquarters and Credit Delivery - Fresno Office Building	Owned
3475 Golden State Blvd., Madera, California	Credit Delivery - Madera Office Building	Owned
1698 Draper Street, Kingsburg, California	Credit Delivery - Kingsburg Office Building	Leased

LEGAL PROCEEDINGS AND ENFORCEMENT ACTIONS

Information required to be disclosed in this section is incorporated herein by reference from Note 13 to the consolidated financial statements, "Regulatory Enforcement Matters," and Note 14 to the consolidated financial statements, "Commitments and Contingencies," included in this annual report to shareholders.

DESCRIPTION OF CAPITAL STRUCTURE

Information required to be disclosed in this section is incorporated herein by reference from Note 8 to the consolidated financial statements, "Members' Equity," included in this annual report to shareholders.

DESCRIPTION OF LIABILITIES

The description of debt outstanding required to be disclosed in this section is incorporated herein by reference from Note 7 to the consolidated financial statements, "Note Payable to CoBank," included in this annual report to shareholders.

The description of funds held is incorporated herein by reference to Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies," included in this annual report to shareholders.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Note 14 to the consolidated financial statements, "Commitments and Contingencies," included in this annual report to shareholders.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2025, required to be disclosed in this section is incorporated herein by reference from the "Five-Year Summary of Selected Consolidated Financial Data," included in this annual report to shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS

"Management's Discussion and Analysis," which appears within this annual report to shareholders and is required to be disclosed in this section, is incorporated herein by reference.

GOVERNANCE

The Association is governed by an 11 member board that delegates the day-to-day management and operation of the Association to the CEO. Of these directors, 8 are elected by the members and 3 are appointed by the elected directors. The Board of Directors represents the interests of our members and has a fiduciary responsibility to them and to the Farm Credit System.

The Board of Directors meets regularly to perform the following functions, among others:

- selects, evaluates, and compensates the chief executive officer;
- approves the strategic plan, marketing plan, human capital plan, capital adequacy plan, financial plan, and annual operating plan and budget;
- sets policies, and monitors the performance of the Association in accordance with their policies;
- advises management on significant issues; and
- oversees the financial reporting process, communications with members, and our legal and regulatory compliance.

Director Independence

All directors must exercise sound judgment in deciding matters in the Association's interest. All our directors are independent from the perspective that none of our management or staff serves as Board members. However, we are a financial services cooperative, and the Farm Credit Act and FCA Regulations require our elected directors to have a loan relationship with us.

The elected directors, as borrowers, have a vested interest in ensuring our Association remains strong and successful. A borrowing relationship with a director could be viewed as having the potential to compromise the independence of an elected director. For this reason, the Board has established disclosure reporting requirements to ensure that a loan relationship does not compromise the independence of our Board.

Annually, the independence of each Board member is reviewed and determined.

Audit Committee

The Audit Committee's responsibilities include, but are not limited to:

- the oversight of the financial reporting risk and the accuracy of the quarterly and annual shareholder reports;
- the oversight of the system of internal controls related to the preparation of quarterly and annual shareholder reports;
- the review and assessment of the impact of accounting and auditing developments on the consolidated financial statements; and,
- the establishment and maintenance of procedures for the receipt, retention, and treatment of confidential and anonymous submission of concerns regarding accounting, internal accounting controls, and auditing matters.

The Audit Committee Report published on page 21 of this report describes the Committee's activities during 2025.

Governance Committee

The Governance Committee, composed of the board chair, vice chair, and the chairs of Audit, Risk, and Human Capital committees, oversees governance and reporting processes, board operations, and continuous improvement efforts. Its responsibilities encompass ensuring the effective functioning of the board, upholding ethical standards within board practices, and driving progress in board performance. This committee is instrumental in monitoring compliance with governance principles. In addition, it plays a vital role in assessing and recommending enhancements to board operations and practices to align them with the organization's goals and stakeholder interests. A significant part of the committee's mandate is to oversee ethical standards within the board, ensuring adherence to applicable regulations and ethical norms.

Human Capital Committee

The Human Capital Committee is composed of four members, including the Board Chair who serves as an ex-Officio member of the Committee. The Committee is responsible for:

- the oversight of employee and director compensation;
- annually reviewing and evaluating the compensation policies, programs, and plans for senior officers, employees, and directors;

- annually performing the CEO evaluation process and providing a recommendation to the Board on the overall compensation program for the CEO;
- reviewing and approving the overall compensation program for senior officers (including the CEO); and
- monitoring the Association's human capital plan.

Risk Committee

The Risk Committee is composed of four members, including the Board Chair who serves as an ex-Officio member of the Committee. The Committee is responsible for overseeing the risk management practices of the Association surrounding capital, credit, interest rate, liquidity, environmental, market, technology, operational, reputational, legal, and compliance risks. The committee creates a transparent environment of open communication between management and the Board to effectively manage the Association's risks.

Other Governance

The Board has monitored the requirements of public companies under the Sarbanes-Oxley Act. While we are not subject to the requirements of this law, we have implemented steps to strengthen governance and financial reporting. We strive to maintain strong governance and financial reporting through the following actions:

- a system for the receipt and treatment of whistleblower complaints;
- a code of ethics for the President/CEO, Chief Financial Officer, Chief Credit Officer, and all other senior financial professionals, all employees and the Board of Directors;
- open lines of communication between the independent auditors, management, and the Audit Committee;
- "plain English" disclosures;
- officer certification of accuracy and completeness of the consolidated financial statements; and
- information disclosure through our website.

DIRECTORS AND SENIOR OFFICERS

The following represents certain information regarding the directors of the Association.

DIRECTORS

Jeff Yribarren, Vice Chair

Term of Office: 2024 – 2027

Committees: Governance, Audit, and serves as ex-officio member on Board's Human Capital

Board or Officer Experience: Fresno Madera Farm Credit Director since 2012 and served as Second Vice Chair from May 2014 to April 2016, and since June 2020 to June 2021; and Vice Chair from June 2021 to 2023; and Chair from June 2023 to 2024.; J. Yribarren Farms, Inc. (Owner and President); Jeffrey & Wendy Yribarren Family Trust (Trustee); Reclamation District #1606 (Trustee); Colusa West, LLC (Member); EarthSide, Inc. (Shareholder, Director); and Legendary Life, Inc. aka Yribarren Winery, Inc. (Owner and President); and past affiliation with Riverbend West, LLC (Member); Farmer's Hemp, LLC (Member); FH Farms, LLC (Member-Manager); Western Custom Ag, LLC (Member); and First Tranquility Agriculture Corp. (Advisor).

Mr. Yribarren is a fourth-generation farmer and farms almonds, grapes (raisins), and custom farming.

Paul Basila, Director

Term of Office: 2024 – 2027

Committees: Audit

Board or Officer Experience: Fresno Madera Farm Credit Director since 2024; Basila Farms, LLC (VP, Managing Member); Moore Road Pecans, LLC (Managing Member); Courtland Ranch, LLC (Owner, President, & Member); Gleeson Ranch (Owner & Partner); Elfrida Pecan Company (Partner); and Basilia Family Trust (Trustee).

Mr. Basila is a member of a fourth-generation farming family, with a history dating back to 1906 in Madera and Sanger. Mr. Basila farms raisins in California and pecans in Arizona.

Jeff Boldt, Director

Term of Office: 2023 - 2026

Committees: Human Capital

Board or Officer Experience: Fresno Madera Farm Credit since 2021; Jeff Boldt Farms, Inc. (President); Twin Palms Packing (President); 1991 Boldt Family Trust (Surviving Trustee); Jeffrey Warren Boldt Survivor's Trust (Trustee); Buhler Family Partnership (Partner), and Clay Joint Elementary School District (Board Trustee).

Mr. Boldt is a member of a fifth-generation farming family, with a history dating back to 1907 in Reedley. Mr. Boldt has extensive experience in all aspects of agricultural and financial operations. Mr. Boldt farms peaches, nectarines, plums, almonds, and walnuts.

Wayne Carstens, Director

Term of Office: 2025 - 2028

Committees: Audit (Vice Chair)

Board or Officer Experience: Fresno Madera Farm Credit Director since 2019; served as Board Chair until December 2025; Carstens Appraisal Services (Owner); Carstens Family Trust (Trustee); Raisin Administrative Committee (Board Member); and Real Estate Appraiser Association (Board Member and Class Instructor); past affiliation with Accu-Rate Realty (Owner); Fowler Lions Club (Board Member); and SunMaid Raisin Growers of California (Member-Owner and Director).

Mr. Carstens is a third-generation farmer and farms grapes (juice and raisins), almonds, pistachios, alfalfa, and walnuts. He is also an appraiser and real estate broker.

Daniel Errotabere, Director

Term of Office: 2023 - 2026

Committees: Human Capital (Vice Chair)

Board or Officer Experience: Fresno Madera Farm Credit Director since 2014; Errotabere Ranches (General Partner); El Dorado Almonds (Shareholder); Errotabere Exports, Inc. (Stockholder); Errotabere Westside Trust (Trustee); Crescent Canal Company (Shareholder and Board Member); CSUF Agriculture Foundation (Treasurer and Board Member); and Ag One Foundation (Director); past affiliation with Family Farms Alliance (Board Member and Treasurer); San Luis and Delta Mendota Water Authority (past Board Member); and Westlands Water District (past Board Member).

Mr. Errotabere is a third-generation farmer and farms almonds, barley, pistachios, wine grapes, Pima cotton, tomatoes, garlic, and garbanzos.

Scott Bursey, Director

Term of Office: 2025 - 2028

Committees: Risk

Board or Officer Experience: Mr. Bursey was elected to the Fresno Madera Farm Credit Board of Directors in May 2025; S&K Management (Partner); and Scott Bursey Living Trust (Trustee).

Mr. Bursey is a second-generation farmer, with a family history of farming dating back to 1970s; farms grapes, almonds, and wheat. Mr. Bursey provides custom farming and spraying, as well as almond harvesting and farm management.

Robert Hansen, Director

Term of Office: 2025 - 2028

Committees: Audit

Board or Officer Experience: Mr. Hansen was elected to the Fresno Madera Farm Credit Board of Directors in May 2025; Hansen Family Farms, Inc. (Owner); and Hansen Family Declaration of Trust (Co-Trustee).

He is fourth-generation farmer, with family history of farming dating back to the early 1900s, and owns leases, and manages almonds and pistachios. Mr. Hansen also provides custom almond and pistachio harvesting.

Allan Kantrowitz, Outside Appointed Director

Term of Office: 2023 – 2026

Committees: Risk (Chair), Governance

Board or Officer Experience: Fresno Madera Farm Credit Appointed Director since 2017; and Hangar Lofts (Director).

Mr. Kantrowitz retired after a 38-year legal career in the Farm Credit System. During that time, he served as General Counsel for CoBank for almost 15 years with primary responsibility to provide all legal services, together with an effective team of lawyers and paralegals, to further the bank's objectives through regulatory interpretations, loan transactions and legal training for employees, directors, and customers.

Sandi Schmiesing, Outside Appointed Director

Term of Office: 2024 - 2027

Committees: 2nd Board Vice Chair, Human Capital (Chair), Governance

Board or Officer Experience: Fresno Madera Farm Credit Director since 2021, with a designation of Human Resources; and The SandCastle Group, LLC (President).

Ms. Schmiesing was appointed to the Fresno Madera Farm Credit Board of Directors in May 2021. Ms. Schmiesing is an innovative leader with a demonstrated history of success in Human Resources in the Farm Credit System. She has successfully built a strong career with various high-profile institutions, where she held a variety of leadership assignments. She led the creation of Farm Credit Foundations, which provides shared business services such as employee benefits, asset management, technology, and payroll operations for 60% of the Farm Credit System.

Lance Shebelut, Director

Term of Office: 2023 - 2026

Committees: Risk (Vice Chair)

Board or Officer Experience: Fresno Madera Farm Credit Director since 2014; Del Shebelut Farms (General Partner); El Lancer Farms (Partner); GSW Farms, Inc. (Partner); S & W Farming, Inc. (Stockholder); Hat Trick Farming, Inc. (Stockholder); Trinity Packing Company (Stockholder); S & W Pom Partners (Partner); XI River Ranch (Partner); RSW Farming Company (Partner); BDD Packing (Stockholder); Shebelut Family Trust (Trustee); L&S Farms, LLC (Manager); X2 Farming (Partner); Tre Famingile, LLC (Partner); and 99 Ranch GP, LLC (Partner); and past affiliation with LSW Farming, Inc. (Stockholder).

Mr. Shebelut is a third-generation farmer and farms almonds, apricots, apples, cherries, table grapes, citrus, nectarines, peaches, persimmons, plums, pomegranates, and Asian pears. Mr. Shebelut is also an employee involved in grower relations for Trinity Fruit Sales.

Denise Waite, Outside Appointed Director

Term of Office: 2025 - 2028

Committees: Audit (Chair), Governance (Vice Chair)

Board or Officer Experience: Fresno Madera Farm Credit Appointed Director with designation as a Financial Expert since 2013; and past affiliation with Remington Properties, LLC (Member); and Dritsas Groom McCormick LLP (Partner).

Mrs. Waite is a Certified Public Accountant in the State of California and has significant experience with audit and assurance engagements. Her areas of expertise include audit, review and compilation services, controllership services, and tax preparation services for a broad range of businesses, including agriculture, construction, and employee benefit plans.

COMPENSATION OF DIRECTORS

During 2025, directors were compensated based on an annual retainer paid monthly. The rates are based on position to accommodate those with additional time requirements and responsibilities. If a director falls into two position categories, the higher retainer is paid. The retainer amount paid to a director is adjusted for any position changes during the year. The annual retainers are as follows:

Position(s) Held	Annual Retainer
Board Chair	$ 52,800
Board Leader (Vice Chair & 2nd Vice Chair)	$ 43,300
Board Leader, Appointed Director, Audit Committee Chair	$ 51,550
Board Leader, Non-Audit Committee Chair	$ 43,300
Director, Audit Committee	$ 39,525
Director, Non-Audit Committee	$ 35,750

The following table reflects the days served at board meetings and other official activities (including committee meetings not held in conjunction with a board meeting), and total compensation paid to each director for the year ended December 31, 2025.

Name of Director	Number of Days Served at Board & Committee Meetings	Number of Days Served in Other Official Activities	Compensation Paid During 2025
Allan Kantrowitz	20	10	$ 43,300
Denise Waite	22	15	51,550
Daniel Errotabere	14	7	32,313
Jeff Yribarren	23	10	48,050
Jeff Jue[1]	9	6	18,041
Jeff Boldt	15	12	32,313
Lance Shebelut	13	3	32,313
Paul Basila	15	4	37,952
Robert Hansen[3]	8	3	23,056
Sandra Schmiesing	20	11	43,300
Scott Bursey[4]	6	1	20,854
Steve Schafer[2]	6	3	11,458
Wayne Carstens	22	21	48,050
Total Compensation	193	106	$ 442,548

1 Jeff Jue retired from the board at the end of his term in 2025.

2 Steve Schafer retired from the board at the end of his term in 2025.

3 Robert Hansen was elected to the board during 2025.

4 Scott Bursey was elected to the board during 2025.

Directors are also reimbursed for mileage, as well as documented business expenses while serving in an official capacity. The total compensation paid to directors for 2025, as outlined above, amounted to $442,548. The Association has adopted a policy concerning travel, subsistence, and other related expenses as they apply to directors and senior officers. A copy of this policy is available to shareholders upon request. Aggregate reimbursements to all directors as a group for travel, subsistence and other related expenses were $56,829 in 2025, $30,062 in 2024, and $33,467 in 2023.

SENIOR OFFICERS

FCA regulations require the following disclosure of the business experience for the last five years for each senior officer. The following summarizes the composition and experience of the Senior Leadership Team:

Keith Hesterberg, President and Chief Executive Officer

Mr. Hesterberg was hired on June 13, 2013, and serves as President and Chief Executive Officer. He has 32 years of experience working in the Farm Credit System. Prior to joining Fresno Madera Farm Credit, he worked for CoBank, ACB for 14 years primarily based in Denver, Colorado and Sacramento, California. Mr. Hesterberg's CoBank experience included management of credit administration teams in Denver and Sacramento, and also portfolio management, including managing two regional banking centers serving 14 states in the West, Midwest, and Southeastern U.S. Mr. Hesterberg began his Farm Credit service in Illinois in various roles, including Branch Manager and Vice President of Commercial Lending.

Stephanie Graham, Executive Vice President and Chief Talent & Business Program Officer

Ms. Graham serves as ACA Executive Vice President, Chief Talent and Business Program Officer, Information Security Officer, Business Recovery Officer, and Corporate Secretary and has 28 years of Farm Credit experience. Ms. Graham directs administrative operations including human resources, training and staff programs, and other designated Association administrative and corporate functions. Additionally, she has oversight responsibilities of the Association's loan accounting, loan documentation and compliance operations. She was hired in January 1998 and has served in various capacities within the organization including Loan Accounting Manager, Administrative Services/HR Manager, and Chief Administrative Officer. She has served in her current capacity as Chief Talent and Business Processes Office since May 2025. Prior to joining Fresno Madera Farm Credit, Ms. Graham worked in public accounting.

Ken Brown, Executive Vice President and Chief Appraisal Officer

Mr. Brown serves as ACA Executive Vice President and Chief Appraisal Officer and has 35 years of Farm Credit experience. Mr. Brown is responsible for the operation of the real estate and chattel appraisal department and ensures the delivery of credible, accurate, and timely appraisals which are developed independently from credit delivery operations to mitigate risk. Additionally, he directs the Association's facilities and fleet operations. He was hired in April 1991 and has led the appraisal department since 1999, he has held his current position as Chief Appraisal Officer since May 2025. He is a Certified General Real Estate appraiser and is designated as an Accredited Rural Appraiser (ARA). Prior to joining Fresno Madera Farm Credit, Mr. Brown worked for Farmers Home Administration in agricultural lending and appraisal as an Assistant County Supervisor.

Ken Thomas, Executive Vice President and Chief Business Technology Officer

Mr. Thomas serves as ACA Executive Vice President and Chief Business Technology Officer and was hired in January 2022. He is responsible for the Association's operations including information technology, business intelligence, compliance, marketing, and project management. He also serves as the Standards of Conduct Official and the executive sponsor to oversee the Association's outsourced technology operations. Mr. Thomas has oversight of the Association's business intelligence reporting to create a program that ensures strong controls around data and fosters effective risk management within the organization's operations. He is a Certified Regulatory Compliance Manager from the American Bankers Association and is a United States Army veteran. Mr. Thomas's prior experience includes over 25 years in retail and commercial banking including serving as a Chief Operating Officer, Chief Technology Officer, and Chief Risk Officer leading teams in areas of operations, compliance risk, vendor management, and technology.

Casey Baker, Executive Vice President, Chief Credit Officer

Mr. Baker serves as Executive Vice President and Chief Credit Officer at FMFC, a role he assumed in May 2025. Prior to his current role, he served as Senior Director of Credit Operations and Development. In his current capacity, he oversees the credit staff, including credit managers and analysts, ensuring the effective management of credit operations and development strategies. With over two decades of experience spanning investment banking, commercial banking, and agricultural finance, Mr. Baker brings a wealth of expertise to the organization. Before joining FMFC, he held senior leadership roles, including managing a team of 50 Credit Analysts across California and Arizona, as well as leading Relationship Managers serving Northern, Southern, and Central California. A Chartered Financial Analyst (CFA) since 2011, Mr. Baker is also a graduate of Harvard Business School's Business Analytics Program, underscoring his commitment to data-driven decision-making and excellence in financial leadership.

Rob Bogdanovich, Executive Vice President, Chief Relationship Manager and Markets Officer

Mr. Bogdanovich serves as ACA Executive Vice President, Chief Relationship Manager and Markets Officer and has 23 years of Farm Credit experience. Mr. Bogdanovich is responsible for loan origination, loan servicing, and achieving credit quality standards and profitability. He was hired in May 2002, and has served in various capacities including Loan Officer, Assistant Branch Manager, VP of Capital Markets, Director of Relationship Management, and SVP Relationship Management. He has served in his current capacity since May 2025.

Juan Garcia, Executive Vice President and Chief Financial & Assurance Officer

Mr. Garcia serves as Executive Vice President and Chief Financial and Assurance Officer, where he provides strategic financial leadership while overseeing enterprise assurance and controls. His dual role bridges the traditional responsibilities of a CFO with comprehensive stewardship of risk and internal control frameworks.

Mr. Garcia joined the Farm Credit System in 2009 and has spent the last 15 years advancing through a variety of roles including Controller, Managing Director of Financial Analysis, and most recently, Senior Vice President of Enterprise Risk. Prior to joining Farm Credit, Mr. Garcia worked in public accounting for 6 years.

COMPENSATION OF SENIOR OFFICERS

Required senior officer compensation information is included in the Association's Annual Meeting Information Statement (AMIS) mailed to all shareholders. The AMIS is available for public inspection at the Association office. Disclosure of information on the total compensation paid during the last fiscal year to any senior officer, or to any other officer included, is available and will be disclosed to shareholders upon request.

TRANSACTIONS WITH SENIOR OFFICERS AND DIRECTORS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section are incorporated herein by reference from Note 12 to the financial statements, "Related Party Transactions," included in this annual report to shareholders.

INVOLVEMENT OF SENIOR OFFICERS AND DIRECTORS IN CERTAIN LEGAL PROCEEDINGS

There were no matters which came to the attention of management or the Board of Directors regarding involvement of senior officers or current directors in specified legal proceedings which are required to be disclosed in this section.

RELATIONSHIP WITH COBANK

The Association is materially affected by CoBank's financial condition and results of operations.

The Association's statutory obligation to borrow from CoBank is discussed in Note 7 to the consolidated financial statements, "Note Payable to CoBank." Association requirement to invest in CoBank and CoBank's ability to access capital of the Association is discussed in Note 4, "Investment in CoBank." CoBank's role in mitigating the Association's exposure to interest rate risk is discussed in the MD&A section on Liquidity.

CoBank is required to distribute its Annual Report to shareholders of the Association if the bank experiences a "significant event" that has a material effect on the Association as defined by FCA regulations.

RELATIONSHIP WITH INDEPENDENT AUDITORS

There were no changes in independent auditors since the prior annual report to shareholders and there were no material disagreements with our independent auditors on any matter of accounting principles or financial statement disclosure during this period.

BORROWER PRIVACY

Borrower financial privacy and the security of your other nonpublic information are important to us. The Association holds your financial and other non-public information in strictest confidence. Federal regulations allow disclosure of such information by us only in certain situations. Examples of these situations include law enforcement or legal proceedings or when such information is requested by a Farm Credit System institution with which you do business. Borrower privacy and the security of the borrowers' personal information are vital to our continued ability to serve our member's ongoing credit needs.

FINANCIAL STATEMENTS

The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 16, 2026, and the Report of Management, appearing as part of this Annual Report to Shareholders, are incorporated herein by reference.

COBANK ANNUAL AND QUARTERLY REPORTS TO SHAREHOLDERS

We, along with the borrower's investment in our Association, are materially affected by CoBank's financial condition and results of operations. The CoBank quarterly and annual reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at 4635 West Spruce, Fresno, California 93722 or calling (559) 277-7000. Annual reports are available within 75 days after year end and quarterly reports are available within 40 days after the calendar quarter end.

YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS PROGRAM

Unaudited

OVERVIEW

A new generation of skilled, hands-on managers and owners is critical for the success and sustainability of the agricultural industry. Given the declining number of family farms, it is vital to focus on market segmentation and offer entry-level products and services to young, beginning, and part-time farmers in an economical and constructive manner.

To support this specialized customer base, FMFC promotes targeted financing programs and government-guaranteed loan options. We actively seek opportunities to sponsor educational programs, leadership training, and financial literacy efforts for young, beginning, and small farmers and ranchers.

YBS MISSION

The mission of the Young, Beginning, and Small Farmers and Ranchers Program (YBS) at Fresno Madera Farm Credit, ACA, is to be the premier lender of choice in our market area. To ensure the emergence of young and beginning farmers into the marketplace, we will finance all eligible young, beginning, and small farmers in a constructive, consistent, and reliable manner. We will utilize this program to establish our relationships with these borrowers so that we can continue to fully serve our market territory.

PROGRAM DEFINITIONS

The FCA regulatory definitions for YBS farmers and ranchers are shown below:

- Young Farmer: A farmer, rancher, or producer or harvester of aquatic products who was age 35 or younger as of the date the loan was originally made.
- Beginning Farmer: A farmer, rancher, or producer or harvester of aquatic products who had 10 years or less farming or ranching experience as of the date the loan was originally made.
- Small Farmer: A farmer, rancher, or producer or harvester of aquatic products who normally generated less than $350 thousand in annual gross cash farm income at the date the loan was originally made.

EDUCATION AND FINANCIAL LITERACY

FMFC staff engages in the marketplace through active participation in local and state events, making contacts and interacting with others in the industry to provide knowledge and information. Staff is encouraged to speak to groups ranging from ag youth organizations to Farm Bureau Young Farmers and Ranchers to industry ag roundtables. Our staff leverage several conferences to undertake outreach and acquire the insights necessary to design appropriate programs and make annual adjustments to our YBS plans. We utilize these opportunities to educate and create greater awareness for the Farm Credit System.

To assist with our efforts in this area, we formed a partnership with the Valley Small Business Development Corporation (VSBDC). The Valley Small Business Development Corporation (VSBDC) is a nonprofit, public benefit, small business development corporation and has been in existence since 1981. Their mission is to provide small businesses and family farms with increased access to capital and is 100% focused on agriculture in the Central Valley, including FMFC's full loan service area. VSBDC continues to support local community partners including the Asian Business Institute and Resource Center, which has a program that's primarily focused on small family farmers in and around the city of Fresno.

AGRICULTURAL YOUTH PROGRAMS PARTICIPATION

FMFC has a commitment to support agricultural education programs that inspire, educate, and cultivate future generations of farmers, agricultural leaders, and natural resource stewards. FMFC is proud to support programs like the Center for Land-Based Learning, California Ag in the Classroom, 4-H, and Future Farmers of America (FFA) as they provide important tools for helping young people grow. Student members of these programs learn not only skills like growing crops and raising animals, but also business and interview skills, and they build character traits that prepare them for a future in any career. The following are some of the positive results:

- Fair Participation - Each year, FMFC allocates funds to contribute to 4-H and FFA events throughout the Central Valley. During 2025, in addition to monetary fair sponsorships, belt buckles, and animal purchases, FMFC staff members volunteered numerous hours as ag youth leaders, judging fair events, preparing and serving meals to youth livestock competition participants, and assisting and coordinating livestock auctions.

- Grants - Each year at our annual meeting in the spring, FMFC awards three to five $500 grants to FFA programs within the local high schools or 4-H programs located within our loan servicing area (LSA). An application is sent to club leaders and directors across the valley, and winners are selected from the applications submitted. The awards are based upon activities completed by the group for the betterment of their community, as well as the best efforts by a group or individual within the program at the state or national level in animal, equipment or crop judging/showmanship, public speaking, or parliamentary procedure. In 2025, we awarded four grants to local 4-H and FFA programs.

- Education - Each year, FMFC sponsors banking and finance competitions for FFA's California West Central Section and East Fresno Madera Section. Agriculture and finance study guides are sent to each group about four weeks prior to their scheduled exam competitions. Members of our staff volunteer their time to visit the school sites and administer the exams. The winners receive a $250 scholarship check from FMFC for future college expenses.

YBS OUTREACH PROGRAM

The YBS Outreach Program is designed to enhance FMFC's ability to extend credit to young, beginning, and small farmers and ranchers who may face difficulty obtaining traditional financing. By offering specialized underwriting standards, the program provides flexible loan options tailored to meet the distinct needs of YBS farmers, helping them overcome barriers to entry and grow their operations.

The program is structured to accommodate the unique challenges YBS farmers face, such as limited financial history or a lack of established equity, while maintaining sound credit practices. By doing so, FMFC aims to ensure that these farmers have access to the financial resources necessary to succeed. The program's goal is to support the development of a new generation of farmers and ranchers, contributing to the long-term sustainability of agriculture in our region.

Additionally, FMFC continually works to refine its offerings, adapting to the evolving needs of the YBS segment and ensuring that these borrowers can successfully transition to more traditional credit products as their businesses grow and mature.

GUARANTEE AND PARTICIPATION PROGRAMS

Federal and state guarantee programs are useful tools in managing the risks associated with our YBS lending programs and they expand our capacity to provide solutions to the various YBS opportunities that exist in our market. FMFC also coordinates credit with other Farm Credit institution lenders for participation in loans that benefit young and beginning farmers and ranchers.

GROW YOUR FUTURE FORUM

FMFC actively participates in the Grow Your Future Forum, a collaborative initiative involving associations within the CoBank District. The conference is an interactive gathering of YBS customers representing their respective association in educational seminars and fostering networking opportunities. Insights will be gathered from the attendees regarding the needs of YBS farmers and ranchers and will be utilized to create alignment between the needs of these categories with program features.

DEMOGRAPHICS

The following table outlines our percentage of YBS loans as a percentage of our loan portfolio (by number) as of December 31. The United States Department of Agriculture (USDA) column represents the percent of farmers and ranchers classified as YBS within our territory per the 2022 USDA Agricultural Census, which is the most current data available. It should be noted that 31% of the farms reported as Small within the USDA data produce $25 thousand or less in gross farm income and would typically not require access to capital. It should also be noted that the USDA data does not categorize based on the $350 thousand threshold per the new small definition as described above and it's still reflective of $250 thousand. Per FCA regulatory definitions, a farmer/rancher may be counted in multiple categories if they meet the criteria for each.

	USDA	2025	2024	2023
Young	6.64%	11.25%	9.16%	9.99%
Beginning	25.03%	23.85%	19.35%	20.83%
Small[1]	33.90%	19.33%	16.06%	15.80%

[1] Beginning in 2024, the threshold for small loans increased from $250 thousand to $350 thousand. For 2023, small loans were calculated based on the $250 thousand threshold.

Our percentages are based on the number of loans in our portfolio, while the USDA percentages are based on the number of farmers and ranchers.

GOALS AND RESULTS

Efforts to increase our market penetration in this area are ongoing as we look to provide services to all customers within our LSA. We have included loan growth by number and volume across all YBS segments for the three-year planning period. In addition to specific growth targets for each of the segments, development of an outreach program to further educate and promote the Farm Credit System will be a focus. Periodic reports are provided to our Board of Directors detailing the number, volume, and credit quality of our YBS customers. We have developed quantitative targets to monitor our progress.

The following chart outlines our 2025 goals and results:

Number of loans	Goal	Actual	Percent of Goal
Young	145	142	97.93%
Beginning	306	301	98.37%
Small	256	247	96.48%

Loan volume (in thousands)	Goal	Actual	Percent of Goal
Young	$ 128,086	$ 138,541	108.16%
Beginning	$ 251,863	$ 272,261	108.10%
Small	$ 74,293	$ 76,007	102.31%

Based on our market information, efforts, and historical results, we have established 2026 minimum goals at a 2% growth in loan numbers and volume across all segments for the three-year planning period, with the exception of small loans, where loan numbers and volume were increased to 3%. This was done to expand efforts to increase our small customer portfolio and better align with the regulatory change that increased the gross income threshold from $250 thousand to $350 thousand, effective January 1, 2024. With this change, it is anticipated that there will be more opportunities to grow the small customer base category. We will continue to seek opportunities to enhance YBS programs to enable YBS farmers in our LSA to begin, grow, and remain in agriculture production, as well as to facilitate the transfer of agricultural operations from one generation to the next.

FRESNO MADERA
FARM CREDIT
AGRICULTURE IS OUR ONLY BUSINESS