Farm Credit Illinois, ACA

Quarterly Report
June 30, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Illinois, ACA and its subsidiaries, Farm Credit Illinois, FLCA and Farm Credit Illinois, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management’s Discussion and Analysis included in our Annual Report for the year ended December 31, 2024 (2024 Annual Report).

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

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FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2024 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

As farmers in Illinois evaluate the 2025 crop currently growing, they are likely to be pleased with the early progress. As of the July 7, 2025, crop progress report, the United States Department of Agriculture (USDA) suggests that 68.0% of the Illinois corn crop is currently in good or excellent condition with just 10.0% viewed as poor or very poor. The percentages are remarkably similar for Illinois soybeans with 54.0% and 13.0%, respectively. Both crops are very near the five-year average regarding growth stage with 21.0% of corn silking and 96.0% of soybeans emerged. While the crops have started strong, University of Illinois research suggests that precipitation and temperature in July will play strong roles in determining the ability of the crop to exceed trend line yields. Currently, the USDA is forecasting nationwide corn yields of 181.0 bushels per acre, and soybean yields of 52.5 bushels per acre. If realized, both numbers would represent all-time records for United States (U.S.) yields.

Illinois State Climatologists suggests that the strong start to 2025 positions the crops to endure potential heat stress the rest of the summer. Although some portions of Illinois are abnormally dry, only a small portion of northern Illinois is experiencing moderate drought. The seasonal temperature outlook favors above average temperatures in July for the entire state of Illinois. The weather outlook also suggests precipitation is likely to be at historical norms with equal chances of being above or below the average.

The June 30, 2025, USDA Acreage report estimates that producers planted 95.2 million acres of corn, up 5.0% or 4.6 million acres year-over-year. Conversely, producers reported planting 83.4 million acres of soybeans, a 4.0% decrease compared to last year. Illinois contributed to both changes with the state planting approximately 200.0 thousand more acres of corn and approximately 300.0 thousand fewer acres of soybeans. Illinois farmers held steady the number of acres dedicated to winter wheat, planting 780.0 thousand acres.

As producers consider crop marketing decisions in 2025, farmer sentiment has improved significantly relative to the start of 2024. The Purdue University Farm Barometer indicated in June 2025, that producers were more optimistic regarding their financial performance than they were the previous year. Some of that optimism, however, seems to be waning in the face of market uncertainty. The July 2025 Benchmark Land Value Study conducted by Farm Credit Illinois (FCI) reported an average land value decline of 4.4% across the FCI territory compared to the same study from July 2024 – marking the first overall decrease since 2018. When considering the benchmarks individually, the year-over-year percentage changes ranged from -13.6% to +27.4%, reinforcing the fact that agriculture real estate is a very location-specific asset. Farmland values continue to increase slightly in the Chicago Federal Reserve District. The values have increased 1.0% year-over-year.

The outcomes and outlook for the beef sector remain bullish based on the tight cattle supplies. In January 2025, the USDA noted that the number of cattle on feed continued its seven-year downward trend. Because the cattle herd is still small relative to historical sizes, the outlook for feeder prices remains bullish. Average prices in May 2025, were a record setting $226.51 per hundredweight (cwt). Alternatively, wholesale pork prices declined relative to 2024. The value of the wholesale pork carcass cutout in May 2025 was down to $99.38 per cwt, a decline of 87 cents since 2024. Dairy producers received an average all-milk price of $21.00 per cwt in April 2025. The USDA forecasts an additional increase for 2026 to $21.30 per cwt.

For the fiscal trade year 2025, the USDA lowered its forecast agricultural exports from the 2024 fiscal year from $174.4 to $170.5 billion. The USDA raised the 2025 forecast for agricultural imports by $1.0 billion in May 2025, increasing the size of the largest agriculture trade deficit ever of $49.5 billion. Trade uncertainty has arisen given the current administration's desire to renegotiate trade terms.

Passing a new Farm Bill remains elusive, yet many provisions in the One Big Beautiful Bill addressed many aspects often addressed in a Farm Bill. The bill added about $66.0 billion in Farm Bill and rural provisions over the next 10 fiscal years with increases to reference prices for the most used, government-subsidized crop insurance programs. The bill also reduced spending on the Supplemental Nutrition Assistance Program which has some political viewers interested in the rural/urban district coalition that has historically been required to pass a Farm Bill. Congress still plans to enact a Farm Bill on remaining considerations.

The first half of the year recorded a slowdown in U.S. economic activity. This labor market resilience has been cited by the Federal Reserve as a factor in its cautions approach to adjusting interest rates. However, the recent job report indicated softening in the market. The Federal Open Market Committee collectively has set expectations for two interest rate cuts by the end of 2025.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $6.1 billion at June 30, 2025, an increase of $31.1 million from December 31, 2024. Seasonal paydowns following the calendar year end were offset by steady loan growth from renewals during the first six months of the year. This loan growth is substantially offset by asset sales to AgriBank in May.

Portfolio Credit Quality

The credit quality of our portfolio declined from December 31, 2024. Adversely classified loans increased to 3.1% of the portfolio at June 30, 2025, from 2.7% of the portfolio at December 31, 2024. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for credit losses on loans.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At June 30, 2025, $470.2 million of our loans were substantially guaranteed under these government programs.

Nonperforming Assets

Components of Nonperforming Assets

(dollars in thousands) As of:	**June 30, 2025**	December 31, 2024
Loans:		
Nonaccrual	**$ 30,334**	$ 27,528
Accruing loans 90 days or more past due	**9,200**	1,754
Total nonperforming loans	**39,534**	29,282
Other property owned	**938**	1,314
Total nonperforming assets	**$ 40,472**	$ 30,596
Total nonperforming loans as a percentage of total loans	**0.6%**	0.5%
Nonaccrual loans as a percentage of total loans	**0.5%**	0.5%
Current nonaccrual loans as a percentage of total nonaccrual loans	**78.2%**	62.6%
Total delinquencies as a percentage of total loans[1]	**0.6%**	0.4%

[1]Total delinquencies include accrual and nonaccrual loans 30 days or more past due.

Our nonperforming assets have increased from December 31, 2024, but remained at acceptable levels. Despite the increase in nonperforming assets, total nonperforming loans as a percentage of total loans were well within our established risk management guidelines.

The increase in nonaccrual loans was primarily due to a limited number of capital markets real estate mortgage loans and retail production and intermediate-term loans that transferred to nonaccrual status during 2025. The increase is partially offset by several processing and marketing loan charge-offs in the capital markets portfolio during the year. The net increase is also reflected in the increase in total nonperforming loans as a percentage of total loans and total delinquencies as a percentage of total loans. Notwithstanding this increase, nonaccrual loans remained at an acceptable level at June 30, 2025, and December 31, 2024.

The increase in accruing loans 90 days or more past due was primarily due to the increase in the number of days past due on one real estate mortgage loan and three government guaranteed loans. Our accounting policy requires loans past due 90 days or more to be transferred into nonaccrual status unless adequately secured and in the process of collection.

Allowance for Credit Losses on Loans

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

Allowance for Credit Losses on Loans and Coverage Ratios

(dollars in thousands) As of:	**June 30, 2025**	December 31, 2024
Allowance for credit losses on loans	**$ 17,535**	$ 12,554
Allowance for credit losses on loans as a percentage of:		
Loans	**0.3%**	0.2%
Nonaccrual loans	**57.8%**	45.6%
Total nonperforming loans	**44.4%**	42.9%

The increase in allowance for credit losses on loans from December 31, 2024, was primarily related to additional macroeconomic pessimism incorporated into the forecast across most segments. Also contributing to the increase in allowance is a limited number of capital markets loans that transferred to nonaccrual status during 2025, that were individually evaluated and carry asset specific reserves. These increases to the allowance are partially offset by several processing and marketing loan charge-offs in the capital markets portfolio during the year.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the six months ended June 30,	**2025**	2024
Net income	**$ 47,867**	$ 55,790
Return on average assets	**1.4%**	1.6%
Return on average members' equity	**7.3%**	8.9%

Changes presented in the profitability information table relate directly to:

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

Changes in Significant Components of Net Income

(in thousands) For the six months ended June 30,	**2025**	2024	**Increase (Decrease) in net income**
Net interest income	**$ 79,063**	$ 84,416	**$ (5,353)**
Provision for credit losses	**9,787**	5,956	**(3,831)**
Non-interest income	**24,847**	22,661	**2,186**
Non-interest expense	**46,256**	45,331	**(925)**
Net income	**$ 47,867**	$ 55,790	**$ (7,923)**

Provision for Credit Losses

The “Provision for credit losses” in the Consolidated Statements of Comprehensive Income includes a provision for credit losses on loans as well as a provision for credit losses on unfunded commitments. The current period provision for credit losses is the result of changes in the allowance for credit losses on loans and asset specific reserves on loans in nonaccrual status.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable was scheduled to mature on July 31, 2026. However, it was renewed early for $9.0 billion with an origination date of August 1, 2025, and a maturity date of July 31, 2028. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. However, we maintain some exposure to interest rates, primarily from loans to customers which may not have a component of our line of credit with an exact repricing attribute. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from unallocated retained earnings. At June 30, 2025, gross loans are funded 91.2% by the direct note and 8.8% by unallocated retained earnings.

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

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

We were not subject to a risk premium at June 30, 2025, or December 31, 2024.

On May 16, 2025, Moody's Ratings lowered the U.S. sovereign's long-term issuer rating to Aa1 from Aaa. The outlook on the long-term debt rating of the U.S. was revised to stable from negative. On May 19, 2025, Moody's Ratings lowered long-term senior unsecured debt rating for the Farm Credit System to Aa1 from Aaa; the Prime-1 short-term rating was affirmed. The outlook on the long-term debt rating was revised to stable from negative. As a government-sponsored entity, the Farm Credit System benefits from the implicit government support and, therefore, the ratings are directly linked to the U.S. sovereign rating.

Moody's Ratings also affirmed AgriBank's long-term issuer rating of Aa3, and affirmed the stable long-term issuer rating outlook.

The reduction in the credit rating by Moody's Ratings for the Farm Credit System, could result in higher funding costs or disruptions in our access to the capital markets. However, to date we have noticed no significant impact as a result of this rating change.

Total members' equity increased $48.1 million from December 31, 2024, primarily due to net income for the period.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 7 in our 2024 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	**June 30, 2025**	December 31, 2024	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**15.5%**	15.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**15.5%**	15.8%	6.0%	2.5%	8.5%
Total capital ratio	**15.7%**	16.1%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.5%**	15.9%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**15.4%**	15.7%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**15.3%**	15.6%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 11 in our 2024 Annual Report.

CERTIFICATION

The undersigned have reviewed the June 30, 2025, Quarterly Report of Farm Credit Illinois, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Steve Hettinger
Chairperson of the Board
Farm Credit Illinois, ACA

Kelly D. Hunt
President and Chief Executive Officer
Farm Credit Illinois, ACA

Abby Wegner
Senior Vice President and Chief Financial Officer
Farm Credit Illinois, ACA

August 6, 2025

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Illinois, ACA

(in thousands)

As of:		June 30, 2025		December 31, 2024
		(Unaudited)		
ASSETS				
Loans	**$**	**6,142,233**	$	6,111,119
Allowance for credit losses on loans		**17,535**		12,554
Net loans		**6,124,698**		6,098,565
Investment in AgriBank, FCB		**300,240**		293,660
Investment securities		**372,873**		376,992
Accrued interest receivable		**85,927**		96,147
Other assets		**131,120**		126,704
Total assets	**$**	**7,014,858**	$	6,992,068
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**5,603,322**	$	5,590,220
Accrued interest payable		**53,501**		53,309
Patronage distribution payable		**1,113**		39,275
Other liabilities		**21,533**		21,956
Total liabilities		**5,679,469**		5,704,760
Contingencies and commitments (Note 4)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**8,478**		8,364
Unallocated retained earnings		**1,328,112**		1,280,245
Accumulated other comprehensive loss		**(1,201)**		(1,301)
Total members' equity		**1,335,389**		1,287,308
Total liabilities and members' equity	**$**	**7,014,858**	$	6,992,068

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Illinois, ACA

(in thousands)

(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30,	**2025**	2024	**2025**	2024
Interest income	**$ 93,334**	$ 99,364	**$ 184,843**	$ 194,680
Interest expense	**53,501**	56,727	**105,780**	110,264
Net interest income	**39,833**	42,637	**79,063**	84,416
Provision for credit losses	**7,461**	3,652	**9,787**	5,956
Net interest income after provision for credit losses	**32,372**	38,985	**69,276**	78,460
Non-interest income				
Patronage income	**6,058**	6,210	**15,369**	12,719
Financially related services income	**2,152**	2,398	**4,320**	4,803
Fee income	**1,831**	1,657	**3,552**	3,143
Other non-interest income	**404**	1,835	**1,606**	1,996
Total non-interest income	**10,445**	12,100	**24,847**	22,661
Non-interest expense				
Salaries and employee benefits	**12,263**	11,744	**24,772**	23,619
Other operating expense	**9,826**	10,751	**21,298**	21,680
Other non-interest expense	**186**	--	**186**	32
Total non-interest expense	**22,275**	22,495	**46,256**	45,331
Income before income taxes	**20,542**	28,590	**47,867**	55,790
Provision for (benefit from) income taxes	**--**	--	**--**	--
Net income	**$ 20,542**	$ 28,590	**$ 47,867**	$ 55,790
Other comprehensive income				
Employee benefit plans activity	**$ 52**	$ 47	**$ 100**	$ 21
Total other comprehensive income	**52**	47	**100**	21
Comprehensive income	**$ 20,594**	$ 28,637	**$ 47,967**	$ 55,811

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Illinois, ACA

(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2023	$ 8,089	$ 1,213,812	$ (1,149)	$ 1,220,752
Net income	--	55,790	--	55,790
Other comprehensive income	--	--	21	21
Unallocated retained earnings designated for patronage distributions	--	(29)	--	(29)
Capital stock and participation certificates issued	351	--	--	351
Capital stock and participation certificates retired	(203)	--	--	(203)
Balance at June 30, 2024	$ 8,237	$ 1,269,573	$ (1,128)	$ 1,276,682
Balance at December 31, 2024	$ 8,364	$ 1,280,245	$ (1,301)	$ 1,287,308
Net income	**--**	**47,867**	**--**	**47,867**
Other comprehensive income	**--**	**--**	**100**	**100**
Capital stock and participation certificates issued	**373**	**--**	**--**	**373**
Capital stock and participation certificates retired	**(259)**	**--**	**--**	**(259)**
Balance at June 30, 2025	**$ 8,478**	**$ 1,328,112**	**$ (1,201)**	**$ 1,335,389**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the six months ended June 30, 2025, are not necessarily indicative of the results to be expected for the year ending December 31, 2025. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2024 (2024 Annual Report).

Principles of Consolidation

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

Recently Issued or Adopted Accounting Pronouncements

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

Standard and effective date	Description	Adoption status and financial statement impact
In December 2023, the FASB issued Accounting Standards Update 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This guidance is effective for annual periods beginning after December 15, 2025. Early adoption is permitted.	This guidance requires more transparency about income tax information through improvements to income tax disclosures. The improvements applicable to our Association will require adding information by state jurisdiction to the rate reconciliation and income taxes paid disclosures.	We early adopted this standard for the year ended December 31, 2025. The adoption of this guidance is not expected to have a material impact on our financial statements, but will modify certain disclosures.

NOTE 2: LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Loans by Type

(dollars in thousands)

As of:	**June 30, 2025**		December 31, 2024	
	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$ 3,308,338**	**53.9%**	$ 3,265,174	53.4%
Production and intermediate-term	**818,739**	**13.3%**	877,791	14.4%
Agribusiness	**1,321,533**	**21.5%**	1,303,551	21.3%
Other	**693,623**	**11.3%**	664,603	10.9%
Total	**$ 6,142,233**	**100.0%**	$ 6,111,119	100.0%

The other category is composed of rural infrastructure and agricultural export finance related loans and certain assets characterized as mission related investments.

Throughout Note 2 accrued interest receivable on loans of $83.7 million at June 30, 2025, and $93.5 million at December 31, 2024, has been excluded from the amortized cost of loans and is presented in "Accrued interest receivable" in the Consolidated Statements of Condition.

Delinquency

Aging Analysis of Loans at Amortized Cost

(in thousands) **As of June 30, 2025**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 3,343**	**$ 8,355**	**$ 11,698**	**$ 3,296,640**	**$ 3,308,338**	**$ 3,362**
Production and intermediate-term	**5,822**	**1,887**	**7,709**	**811,030**	**818,739**	**300**
Agribusiness	**7**	**34**	**41**	**1,321,492**	**1,321,533**	**--**
Other	**11,179**	**5,538**	**16,717**	**676,906**	**693,623**	**5,538**
Total	**$ 20,351**	**$ 15,814**	**$ 36,165**	**$ 6,106,068**	**$ 6,142,233**	**$ 9,200**

As of December 31, 2024	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 6,962	$ 4,902	$ 11,864	$ 3,253,310	$ 3,265,174	$ 427
Production and intermediate-term	2,468	966	3,434	874,357	877,791	--
Agribusiness	294	4,562	4,856	1,298,695	1,303,551	--
Other	1,764	1,328	3,092	661,511	664,603	1,327
Total	$ 11,488	$ 11,758	$ 23,246	$ 6,087,873	$ 6,111,119	$ 1,754

Nonaccrual Loans

Nonaccrual Loans Information

(in thousands)	**As of June 30, 2025** Amortized Cost	 Amortized Cost Without Allowance
Nonaccrual loans:		
Real estate mortgage	**$ 7,281**	**$ 7,281**
Production and intermediate-term	**2,412**	**1,245**
Agribusiness	**19,265**	**10,019**
Other	**1,376**	**167**
Total	**$ 30,334**	**$ 18,712**

	As of December 31, 2024 Amortized Cost	 Amortized Cost Without Allowance
Nonaccrual loans:		
Real estate mortgage	$ 4,956	$ 4,313
Production and intermediate-term	1,366	1,269
Agribusiness	19,860	9,043
Other	1,346	179
Total	$ 27,528	$ 14,804

Interest income recognized (reversed) on nonaccrual loans were not material for the six months ended June 30, 2025, or 2024. Write-offs of accrued interest receivable, as a reversal of interest income, at the time loans were transferred to nonaccrual status were not material for the six months ended June 30, 2025, or 2024.

Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

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

Loan Modifications at Amortized Cost

(dollars in thousands) **For the six months ended June 30, 2025**	Interest Rate Reduction	Term Extension	Combination - Interest Rate Reduction and Term Extension	Combination - Term Extension and Payment Deferral	Total	Percentage of Total Loans
Real estate mortgage	**$ 2,893**	**$ --**	**$ --**	**$ --**	**$ 2,893**	**0.0%**
Production and intermediate-term	**10**	**--**	**--**	**12,050**	**12,060**	**0.2%**
Agribusiness	**--**	**210**	**--**	**15,904**	**16,114**	**0.3%**
Total	**$ 2,903**	**$ 210**	**$ --**	**$ 27,954**	**$ 31,067**	**0.5%**
Loan modifications granted as a percentage of total loans	**0.0%**	**0.0%**	**--**	**0.5%**	**0.5%**	

For the six months ended June 30, 2024	Interest Rate Reduction	Term Extension	Combination - Interest Rate Reduction and Term Extension	Combination - Term Extension and Payment Deferral	Total	Percentage of Total Loans
Production and intermediate-term	$ --	$ --	$ 448	$ 4,262	$ 4,710	0.1%
Agribusiness	--	4,909	--	--	4,909	0.1%
Total	$ --	$ 4,909	$ 448	$ 4,262	$ 9,619	0.2%
Loan modifications granted as a percentage of total loans	--	0.1%	0.0%	0.1%	0.2%	

Financial Effect of Loan Modifications

For the six months ended June 30, 2025	Weighted Average Interest Rate Reduction (%)	Weighted Average Term Extension (months)	Weighted Average Payment Deferral (months)	Principal Forgiveness ($ in thousands)
Real estate mortgage				
Interest rate reduction	**0.4%**			
Production and intermediate-term				
Interest rate reduction	**0.6%**			
Combination - term extension and payment deferral		**10**	**10**	
Agribusiness				
Term extension		**9**		
Combination - term extension and payment deferral		**13**	**13**	

For the six months ended June 30, 2024	Weighted Average Interest Rate Reduction (%)	Weighted Average Term Extension (months)	Weighted Average Payment Deferral (months)	Principal Forgiveness ($ in thousands)
Real estate mortgage				
Principal forgiveness				759
Production and intermediate-term				
Principal forgiveness				1,861
Combination - interest rate reduction and term extension	2.5%	73		
Combination - term extension and payment deferral		10	10	
Agribusiness				
Term extension		25		
Principal forgiveness				5,721

There were no loans to borrowers experiencing financial difficulty that defaulted during the six months ended June 30, 2025, or 2024, in which the modifications were within twelve months preceding the default.

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

Payment Status of Loan Modifications

(in thousands) **As of June 30, 2025**	Not Past Due or Less Than 30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total
Real estate mortgage	**$ 2,893**	**$ --**	**$ --**	**$ 2,893**
Production and intermediate-term	**12,429**	**--**	**97**	**12,526**
Agribusiness	**20,629**	**--**	**--**	**20,629**
Total	**$ 35,951**	**$ --**	**$ 97**	**$ 36,048**

As of June 30, 2024	Not Past Due or Less Than 30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total
Real estate mortgage	$ --	$ 971	$ 4,294	$ 5,265
Production and intermediate-term	9,867	--	--	9,867
Agribusiness	4,909	--	--	4,909
Total	$ 14,776	$ 971	$ 4,294	$ 20,041

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty was not material at June 30, 2025, or 2024.

Additional commitments were $5.3 million at June 30, 2025, and $5.9 million at December 31, 2024, to lend to borrowers experiencing financial difficulty whose loans were modified during the six months ended June 30, 2025, and during the year ended December 31, 2024, respectively.

Allowance for Credit Losses

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

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

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

Changes in Allowance for Credit Losses

(in thousands) Six months ended June 30,	**2025**	2024
Allowance for Credit Losses on Loans		
Balance at beginning of period	**$ 12,554**	$ 10,254
Provision for credit losses on loans	**8,490**	5,568
Loan recoveries	**140**	3
Loan charge-offs	**(3,649)**	(1,925)
Balance at end of period	**$ 17,535**	$ 13,900
Allowance for Credit Losses on Unfunded Commitments		
Balance at beginning of period	**$ 1,983**	$ 2,127
Provision for credit losses on unfunded commitments	**1,297**	388
Balance at end of period	**$ 3,280**	$ 2,515
Total allowance for credit losses	**$ 20,815**	$ 16,415

The change in the allowance for credit losses on loans from December 31, 2024, was primarily driven by additional macroeconomic pessimism incorporated into the forecast across most segments. Also contributing to the increase in allowance is a limited number of capital markets loans that transferred to nonaccrual status during 2025, that were individually evaluated and carry asset specific reserves. These increases to the allowance are partially offset by several processing and marketing loan charge-offs in the capital markets portfolio during the year.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $372.9 million at June 30, 2025, and $377.0 million at December 31, 2024. Our investment securities consisted of securities containing loans guaranteed by the Small Business Administration (SBA). All of our investment securities were fully guaranteed by the SBA at June 30, 2025, and December 31, 2024. Premiums paid to purchase the investments are not guaranteed and are amortized as a reduction of interest income.

The investment securities have been classified as held-to-maturity. There was no allowance for credit losses on investment securities at June 30, 2025, or December 31, 2024.

Accrued interest receivable on investment securities is presented in “Accrued interest receivable” in the Consolidated Statements of Condition and was $2.2 million at June 30, 2025, and $2.6 million at December 31, 2024.

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $9.8 million and $12.0 million for the six months ended June 30, 2025, and 2024, respectively.

Contractual Maturities of Investment Securities

(in thousands)

As of June 30, 2025		Amortized Cost
One to five years	$	**8,848**
Five to ten years		**176,926**
More than ten years		**187,099**
Total	**$**	**372,873**

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

NOTE 4: CONTINGENCIES AND COMMITMENTS

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

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

Refer to Note 11 in our 2024 Annual Report for additional detail regarding contingencies and commitments.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2024 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at June 30, 2025, or December 31, 2024.

Non-Recurring Basis

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

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of June 30, 2025	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	**$ --**	**$ --**	**$ 5,578**	**$ 5,578**
Other property owned	**--**	**--**	**976**	**976**

As of December 31, 2024	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	$ --	$ --	$ 7,309	$ 7,309
Other property owned	--	--	1,367	1,367

Valuation Techniques

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

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 6, 2025, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.