

# A Year Of Transformation

The Road To Recovery And Growth



FARMERS INSURANCE  
FEDERAL CREDIT UNION

2025 ANNUAL REPORT

★ 1936

90

★ 2026 ★

Years Strong

## LETTER FROM THE CHAIRMAN

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This year we mark the 90th anniversary of Farmers Insurance Federal Credit Union. We do so with pride and gratitude for the road we've traveled with our Member Family — and with confidence in the journey ahead.

Coming off a challenging 2024 we faced a critical juncture in our progress — one that required strong governance, decisive leadership, and a willingness to recalibrate. Over the course of 2025 we addressed these challenges with considerable success.

We moved from a \$9.6 million net loss in 2024 to \$2.5 million net income in 2025, while improving our net worth ratio from 8.8% to 9.7%, and strengthening other key measures of financial performance. These results reflect an organization that has stabilized and is once again moving forward with purpose.

As a Board, our role during this period was clear: identify the challenges, bring in the right leadership, and work closely with management to guide both recovery and long-term direction. The appointment of our CEO, Mirella Reznic, marked an important turning point. Together, we focused on building not just near-term stability, but a strategic roadmap for sustainable growth over the next several years.

Importantly, the progress we made in 2025 was not driven only by reaction to adversity. It was grounded in decisive, deeply considered efforts across the organization. In the CEO's report that follows, you'll hear more about how this progress was achieved.

There is still work to do. To think otherwise invites complacency. But we are firmly in the driver's seat — and have emerged from 2025 with confidence and a mandate for long-term success.

I would like to thank our Board of Directors, Supervisory Committee, and management team for their leadership — and our employees for their dedication throughout this pivotal year. And, most importantly, a big thank you to our Members for your faith in us.

Sincerely,

A handwritten signature in black ink that reads "Rudy Trevino". The signature is written in a cursive, slightly slanted style.

**Rudy Trevino**  
Chairman of the Board

## LETTER FROM THE CEO

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When I joined Farmers Insurance Federal Credit Union (FIGFCU) a little over a year ago, it was clear we were at a critical point in our journey.

FIGFCU had a great heritage and strong foundation — but we were navigating a difficult stretch. We had to return to profitability quickly, reevaluate our expectations for the future, and move forward with greater discipline and clarity.

In 2025, we set out to achieve this. We focused on execution — stabilizing performance and strengthening operations — while also building the capabilities needed for long-term success. I am pleased to report that our performance and progress reflect this goal.

We ended the year delivering \$2.5 million in net income — a significant improvement from the prior year — and finished \$2.0 million above our profit target. Our return on assets — supported by improvements in efficiency and overall financial stability — reached 0.2%, also exceeding expectations.

This return to profitability was a necessary first step. To move forward with confidence, however, we also needed to strengthen the underlying systems that drive performance. Throughout the year, we focused on tightening operational controls, improving credit discipline, aligning expenses with long-term sustainability, and building a leadership team capable of driving consistent results.

At the same time, we began positioning the Credit Union for the next phase of the journey — sustainable, responsible growth. This included expanding our capabilities — both digitally and across the solutions we offer to our Members. In 2026, we will be launching a robust and industry-leading online and mobile banking platform, addressing concerns we have heard from both Consumer and Business Members over the past years. We are also enhancing the solutions we offer businesses to fully service both deposit and loan needs of our business members. Business products, for business owners — not just consumer products for businesses.

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## LETTER FROM THE CEO, CONT.

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The actions we took in 2025 convey a story of resilience, transformation, and optimism:

- How we enhanced financial discipline and employed strategic levers to restore profitability and strengthen our balance sheet.
- How operational transformation initiatives have improved consistency, compliance, and member experience.
- And how we are building a performance-driven, people-centered culture that supports both accountability and growth.

These outcomes were only possible with deliberate and systemic progress across every part of the organization. And this is what we're committed to sustaining.

We are still early in this journey. The financial markets and the needs of our Members are constantly evolving, and so must we. But we are moving forward with stronger fundamentals, better alignment, and a clearer sense of direction. In short, I am proud of the progress we have made and confident in where we are going.

Thank you to our Board of Directors for your guidance, to our employees for your commitment, and to our Members for your continued trust and belief in us.

Sincerely,



**Mirella Reznic**

Chief Executive Officer

# 2025

# Highlights



★ 1936 **90** 2026 ★  
Years Strong

## > NET INCOME

### \$2,524,101

\$12.1M swing from prior year



2024 \$(9,567,732)  
2023 \$7,319,528

## > NPS SCORE

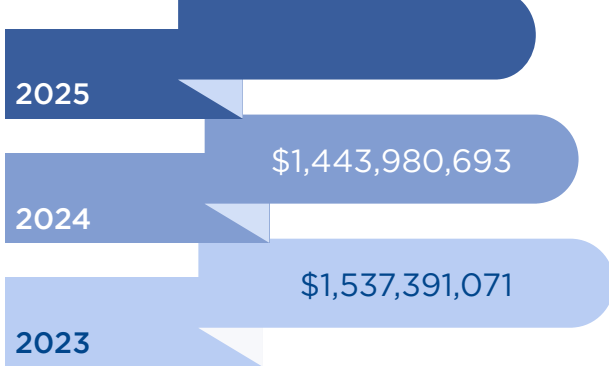


### 82.96%

Exceptional Member loyalty — top tier for financial services

## > TOTAL ASSETS

### \$1,334,975,826



## > TOTAL NET LOANS



### \$1,173,478,872

\$1,331,837,948  
\$1,397,784,292

## > TOTAL MEMBERS

### 65,853

↑ 750 from 2024

2024 65,103  
2023 63,110

## > TOTAL SHARES AND DEPOSITS



### \$1,129,089,860

\$1,215,827,722  
\$1,262,825,933

## > RETAINED EARNINGS

### \$129,083,453

↑ from \$126.6M

**FARMERS INSURANCE  
FEDERAL CREDIT UNION**

**FINANCIAL STATEMENTS**

DECEMBER 31, 2025 AND 2024

*(With Independent Auditor's Report Thereon)*

# FARMERS INSURANCE FEDERAL CREDIT UNION

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## INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee, Board of Directors and Management  
**Farmers Insurance Federal Credit Union**

### Report on the Audits of the Financial Statements

#### Opinion

We have audited the financial statements of Farmers Insurance Federal Credit Union (the Credit Union), which comprise the statements of financial condition as of December 31, 2025 and 2024, and the related statements of income (loss), comprehensive income (loss), members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2025 and 2024, 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 (GAAP).

#### Basis for Opinion

We conducted our audit as of and for the year ended December 31, 2025 in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted our audit as of and for the year ended December 31, 2024 in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Credit Union, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements as of and for the year ended December 31, 2024 were not audited in accordance with *Government Auditing Standards*.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS and *Government Auditing Standards* 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 financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Credit Union'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The FHA lenders with Title II authority adjusted net worth computation and financial data template are presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the FHA lenders with Title II authority adjusted net worth computation and financial data template are fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated on April 24, 2026, our consideration of Farmers Insurance Federal Credit Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Farmers Insurance Federal Credit Union's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Farmers Insurance Federal Credit Union's internal control over financial reporting and compliance.

*Doeren Mayhew Assurance*

Tampa, Florida  
April 24, 2026

# FARMERS INSURANCE FEDERAL CREDIT UNION

## STATEMENTS OF FINANCIAL CONDITION DECEMBER 31, 2025 AND 2024

| <b>Assets</b>   | <b>2025</b>             | <b>2024</b>             |
|---|-------------------------|-------------------------|
| Cash and cash equivalents   | \$ 109,028,896          | \$ 53,136,926           |
| Available-for-sale debt securities (amortized cost<br>\$193,561 and \$227,462) (Note 2) | 196,119                 | 228,896                 |
| Credit Union Service Organizations (CUSO)   | 5,394,731               | 10,487,602              |
| Federal Home Loan Bank (FHLB) stock   | 5,059,800               | 4,953,000               |
| Loans, net of allowance for credit losses of \$22,614,803<br>and \$26,188,859 (Note 3)  | 1,173,478,872           | 1,331,837,948           |
| Accrued interest receivable   | 7,186,593               | 8,019,108               |
| Property and equipment (Note 4)   | 4,904,325               | 6,349,456               |
| Prepaid and other assets  | 17,992,321              | 16,874,544              |
| National Credit Union Share Insurance Fund (NCUSIF) deposit                             | 11,734,169              | 12,093,213              |
| Total assets  | <b>\$ 1,334,975,826</b> | <b>\$ 1,443,980,693</b> |
| <b><u>Liabilities and Members' Equity</u></b>   |                         |                         |
| Liabilities   |                         |                         |
| Members' shares and savings accounts (Note 5)   | \$ 1,129,089,860        | \$ 1,215,827,722        |
| Borrowed funds (Note 6)   | 59,950,000              | 82,650,000              |
| Accrued expenses and other liabilities  | 16,849,955              | 18,942,185              |
| Total liabilities   | 1,205,889,815           | 1,317,419,907           |
| Commitments and contingent liabilities (Note 8)   |                         |                         |
| Members' equity   |                         |                         |
| Undivided earnings  | 129,083,453             | 126,559,352             |
| Accumulated other comprehensive income  | 2,558                   | 1,434                   |
| Total members' equity   | 129,086,011             | 126,560,786             |
| Total liabilities and members' equity   | <b>\$ 1,334,975,826</b> | <b>\$ 1,443,980,693</b> |

See accompanying notes to financial statements

# FARMERS INSURANCE FEDERAL CREDIT UNION

## STATEMENTS OF INCOME (LOSS) YEARS ENDED DECEMBER 31, 2025 AND 2024

|  | <b>2025</b>   | <b>2024</b>    |
|--|---------------|----------------|
| Interest income  |               |                |
| Loans to members   | \$ 94,022,378 | \$ 101,057,129 |
| Investments and cash and cash equivalents                | 4,472,645     | 4,524,177      |
| Total interest income                                    | 98,495,023    | 105,581,306    |
| Interest expense   |               |                |
| Members' shares and savings accounts                     | 30,210,914    | 34,034,224     |
| Borrowed funds   | 1,820,864     | 2,981,960      |
| Total interest expense                                   | 32,031,778    | 37,016,184     |
| Net interest income                                      | 66,463,245    | 68,565,122     |
| Provision for credit losses (Note 3)                     | 15,700,279    | 26,969,002     |
| Net interest income after provision<br>for credit losses | 50,762,966    | 41,596,120     |
| Non-interest income                                      |               |                |
| Interchange income                                       | 3,836,311     | 3,859,362      |
| Overdraft and share draft fees                           | 2,651,712     | 2,692,679      |
| Gain on sale of loans                                    | 1,820,646     | -              |
| Service charges and other fees                           | 1,580,595     | 1,161,929      |
| Other income   | 878,253       | 299,224        |
| Loss attributable to investments in CUSOs                | (2,151,132)   | (347,499)      |
| Total non-interest income                                | 8,616,385     | 7,665,695      |
| Non-interest expenses                                    |               |                |
| Compensation and benefits                                | 33,529,898    | 33,603,990     |
| Office operating costs                                   | 12,525,140    | 11,786,523     |
| Other expenses   | 1,897,711     | 3,312,032      |
| Loan servicing   | 3,117,922     | 3,219,646      |
| Professional and outside services                        | 2,246,401     | 2,664,060      |
| Office occupancy   | 2,199,448     | 2,320,554      |
| Educational and promotional                              | 1,338,730     | 1,922,742      |
| Total non-interest expenses                              | 56,855,250    | 58,829,547     |
| Net income (loss)  | \$ 2,524,101  | \$ (9,567,732) |

See accompanying notes to financial statements

# FARMERS INSURANCE FEDERAL CREDIT UNION

## STATEMENTS OF COMPREHENSIVE INCOME (LOSS) YEARS ENDED DECEMBER 31, 2025 AND 2024

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|   | <u>2025</u>         | <u>2024</u>           |
|---|---------------------|-----------------------|
| Net income (loss)   | \$ 2,524,101        | \$ (9,567,732)        |
| Other comprehensive income  |                     |                       |
| Available-for-sale debt securities                                    |                     |                       |
| Net unrealized holding gains on<br>available-for-sale debt securities | <u>1,124</u>        | <u>4,698</u>          |
| Other comprehensive income  | <u>1,124</u>        | <u>4,698</u>          |
| Comprehensive income (loss)   | <u>\$ 2,525,225</u> | <u>\$ (9,563,034)</u> |

See accompanying notes to financial statements

# FARMERS INSURANCE FEDERAL CREDIT UNION

## STATEMENTS OF MEMBERS' EQUITY YEARS ENDED DECEMBER 31, 2025 AND 2024

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|                            | Undivided<br>Earnings       | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total                       |
|----------------------------|-----------------------------|--|-----------------------------|
|                            | <u>                    </u> | <u>                    </u>                            | <u>                    </u> |
| Balance December 31, 2023  | \$ 136,127,084              | \$ (3,264)   | \$ 136,123,820              |
| Net loss                   | (9,567,732)                 | -  | (9,567,732)                 |
| Other comprehensive income | -                           | 4,698  | 4,698                       |
|                            | <u>                    </u> | <u>                    </u>                            | <u>                    </u> |
| Balance December 31, 2024  | 126,559,352                 | 1,434  | 126,560,786                 |
| Net income                 | 2,524,101                   | -  | 2,524,101                   |
| Other comprehensive income | -                           | 1,124  | 1,124                       |
|                            | <u>                    </u> | <u>                    </u>                            | <u>                    </u> |
| Balance December 31, 2025  | <u>\$ 129,083,453</u>       | <u>\$ 2,558</u>  | <u>\$ 129,086,011</u>       |

See accompanying notes to financial statements

# FARMERS INSURANCE FEDERAL CREDIT UNION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2025 AND 2024

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|   | <u>2025</u>       | <u>2024</u>       |
|---|-------------------|-------------------|
| Cash flows from operating activities        |                   |                   |
| Net income (loss)                           | \$ 2,524,101      | \$ (9,567,732)    |
| Adjustments                                 |                   |                   |
| Provision for credit losses                 | 15,700,279        | 26,969,002        |
| Loss attributable to investments in CUSOs   | 2,151,132         | 347,499           |
| Depreciation and amortization               | 2,025,310         | 1,943,674         |
| Decrease (increase) in assets               |                   |                   |
| Accrued interest receivable                 | 832,515           | (207,088)         |
| Prepaid and other assets                    | (1,117,777)       | 5,083,073         |
| Decrease in liabilities                     |                   |                   |
| Accrued expenses and other liabilities      | (2,092,230)       | (3,649,133)       |
| Total adjustments                           | <u>17,499,229</u> | <u>30,487,027</u> |
| Net cash provided from operating activities | <u>20,023,330</u> | <u>20,919,295</u> |

See accompanying notes to financial statements

# FARMERS INSURANCE FEDERAL CREDIT UNION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2025 AND 2024

|  | 2025                  | 2024                 |
|--|-----------------------|----------------------|
| Cash flows from investing activities   |                       |                      |
| Proceeds from interest bearing deposits  | \$ -                  | \$ 747,000           |
| Proceeds from maturities and repayments<br>of available-for-sale debt securities | 33,901                | 45,241               |
| Return of investment in CUSOs  | 2,441,739             | -                    |
| Investment in CUSOs  | -                     | (5,234,128)          |
| Decrease in loans to CUSO  | 500,000               | 2,300,000            |
| Purchase of FHLB stock   | (106,800)             | (535,100)            |
| Net change in loans to members   | 37,628,403            | 38,977,342           |
| Proceeds from sale of loans  | 106,851,040           | -                    |
| Gain on sale of loans  | (1,820,646)           | -                    |
| Purchases of property and equipment  | (580,179)             | (1,742,834)          |
| Decrease (increase) in NCUSIF deposit  | 359,044               | (503,082)            |
|  | <u>145,306,502</u>    | <u>34,054,439</u>    |
| Cash flows from financing activities   |                       |                      |
| Net change in members' shares and savings accounts                               | (86,737,862)          | (46,998,211)         |
| Repayment of borrowed funds  | (22,700,000)          | (33,200,000)         |
|  | <u>(109,437,862)</u>  | <u>(80,198,211)</u>  |
| Net change in cash and cash equivalents  | 55,891,970            | (25,224,477)         |
| Cash and cash equivalents - beginning  | <u>53,136,926</u>     | <u>78,361,403</u>    |
| Cash and cash equivalents - ending   | <u>\$ 109,028,896</u> | <u>\$ 53,136,926</u> |
| <b><u>Supplemental Information</u></b>   |                       |                      |
| Interest paid  | <u>\$ 32,031,767</u>  | <u>\$ 37,050,430</u> |
| Loans transferred to held for sale   | <u>\$ 105,030,394</u> | <u>\$ -</u>          |

See accompanying notes to financial statements

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

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### **Note 1 – Nature of Business and Significant Accounting Policies**

#### Organization

Farmers Insurance Federal Credit Union (the Credit Union) is a cooperative association organized in accordance with the provisions of the Federal Credit Union Act for the purpose of promoting thrift among, and creating a source of credit for, its members. Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined by the Credit Union's Charter and Bylaws.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change include the determination of the allowance for credit losses. The significant accounting principles and policies used in the preparation of these financial statements, together with certain related information, are summarized below.

#### Concentrations of Credit Risk

A significant amount of the Credit Union's business activity is with agents or former agents, as well as employees or former employees, affiliated with Farmers Insurance Group, Inc. The Credit Union also may be exposed to credit risk from a regional economic standpoint, since a significant concentration of its borrowers work or reside in the state of California. However, the loan portfolio is diversified and the Credit Union does not have any significant concentration of credit risk, except unsecured loans, which by their nature, increase the risk of loss compared to those loans that are collateralized.

#### Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities are reported in a separate component of comprehensive income (loss). Other comprehensive income (loss) is limited to the changes in unrealized gain (loss) on available-for-sale investments. When available-for-sale investments are sold, the gain or loss realized on the sale is reclassified from accumulated other comprehensive income (loss) to the gain or loss on sale of investments reported in the statements of income.

#### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, amounts due from banks and corporate credit unions (including cash items in the process of clearing) and interest-bearing deposits in banks and corporate credit unions with an original maturity of 90 days or less, including overnight deposits. Amounts due from banks and corporate credit unions may, at times, exceed federally insured limits.

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

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### Available-for-Sale Debt Securities

Debt securities are classified as available-for-sale when the Credit Union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value in the statements of financial condition. Unrealized gains and losses on available-for-sale debt securities are recognized as direct increases or decreases in other comprehensive income (loss).

Premiums and discounts are recognized in interest income over the terms of the securities. Gains and losses realized on sales of debt securities are included in non-interest income in the statements of income and are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

The Credit Union evaluates its available-for-sale investment securities portfolio on a quarterly basis for indicators of impairment. The Credit Union assesses whether an impairment has occurred when the fair value of a debt security is less than the amortized cost at the balance sheet date. Management reviews the amount of unrealized loss, the credit rating history, market trends of similar security classes, time remaining to maturity, and the source of both interest and principal payments to identify securities which could potentially be impaired. For those debt securities that the Credit Union intends to sell or is more likely than not required to sell, before the recovery of their amortized cost basis, the difference between fair value and amortized cost is considered to be impaired and is recognized in the provision for credit losses. For those debt securities that the Credit Union does not intend to sell or is not more likely than not required to sell, prior to expected recovery of amortized cost basis, the credit portion of the impairment is recognized through an allowance in the provision for credit losses while the noncredit portion is recognized in other comprehensive income (loss). In determining the credit portion, the Credit Union uses a discounted cash flow analysis, which includes evaluating the timing and amount of the expected cash flows. Non-credit-related impairment results from other factors, including increased liquidity spreads and higher interest rates. All of the Credit Union's available-for-sale debt securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Accordingly, there is a zero-credit loss expectation on these securities.

### Credit Union Service Organizations

The Credit Union has investments in several credit union service organizations (CUSOs). Investments accounted for under the equity method of accounting are carried at cost, adjusted for the Credit Union's proportionate share of the CUSO's undistributed earnings or losses. Equity investments without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. Dividends received in excess of the Credit Union's proportionate share of accumulated earnings are applied as a reduction of the cost of the investment.

As of December 31, 2024, the Credit Union owned 50% of Community Mortgage Funding, LLC (CMF) which provided residential mortgage origination, processing, underwriting, closing, funding, and servicing for the benefit of credit unions. As of December 31, 2024, CMF's assets and liabilities approximated \$8,506,000 and \$1,618,000, respectively. CMF reported a net loss of approximately \$372,000 during the year ended December 31, 2024. Additionally, the Credit Union provided CMF a line of credit to facilitate CMF's

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

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operations. The line of credit was secured by CMF's cash, receivables and intangible assets. The line of credit was variable rate and matured on June 17, 2026. As of December 31, 2024, the outstanding balance of the line of credit was \$500,000. During the year ended December 31, 2025, CMF was dissolved and capital was returned to the owners.

As of December 31, 2023, the Credit Union owned 12.16% of Constellation Digital Partners, LLC (CDP). CDP provides a cloud-based marketplace that enables credit unions and developers to provide digital financial services to credit union members. During the year December 31, 2024, the Credit Union's shares in CDP were converted into shares of Carina Equity. Additionally, the Credit Union invested another \$2,000,000 and converted a \$2,000,000 note receivable to shares in Carina Equity for a total ownership percentage of 25.28% as of December 31, 2024. Carina Equity is a holding company for shares of ownership in CDP. Carina Equity owns approximately 45% of CDP as of December 31, 2024. As of December 31, 2024, CDP's assets and liabilities approximated \$12,963,000 and \$10,087,000, respectively. CDP reported net losses of approximately (\$7,044,000) during the year ended December 31, 2024. In 2025, DB CUSO acquired CDP and as part of this acquisition, the Credit Union's shares along with a \$2,000,000 note receivable, were converted into shares of DB CUSO, resulting in an ownership interest of 1.96% as of December 31, 2025. As of December 31, 2025, this investment is carried at cost at a value of \$2,857,000, as the Credit Union does not exercise significant influence over DB CUSO.

As of December 31, 2025 and 2024, the Credit Union also owned 0.79% of Curql Fund I, LLLP (Curql). Curql was formed on October 20, 2020 by Curql Collective, LLC (the "Lead General Partner") and Next Level Ventures GP III LLC (the "Co-General Partner"). Curql's aim is to invest in fintech startups that provide technologies to improve credit union and credit union affiliate operations. Curql was established on March 29, 2021 as a cooperative Credit Union Service Organization.

The Lead General Partner supports collaboration between credit unions and fintech companies to establish a fintech ecosystem that benefits both parties. The Co-General Partner manages Curql's activities. A limited partnership agreement defines Curql's structure and activities (the "LPA"). The LPA gives the Lead General Partner and Co-General Partners joint authority and responsibility for managing the Fund. Curql's limited partners are credit unions, credit union affiliates, and CUSOs. This investment is carried at cost as the Credit Union does not exercise significant influence.

The Credit Union has also made a \$1,000,001 investment in Coviance, Inc. (Coviance), a fintech that specializes in streamlining the home equity lending experience process. The investment secured a 2% ownership stake made up of shares and warrants and is being carried at cost. As of December 31, 2025, Coviance's assets and liabilities approximated \$10,683,000 and \$19,837,000, respectively. As of December 31, 2024, Coviance's assets approximated \$9,568,000. Coviance also reported net losses of (\$1,714,000) and (\$4,869,000) during the years ended December 31, 2025 and 2024, respectively. This investment is carried at cost as the Credit Union does not exercise significant influence.

### Federal Home Loan Bank (FHLB) Stock

As a member of the FHLB, the Credit Union is required to invest in stock of the FHLB. The FHLB stock is carried at cost and its disposition is restricted. Based on its restricted nature, no ready market exists for this investment and it has no quoted market value.

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

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### Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. All loans are originated with the intent to sell. Typically, loans are sold within 30 days of funding. Management has evaluated all loans held for sale for collectability and delinquency. In connection with the sale of mortgage loans, the Company may retain servicing rights, which are recognized as a mortgage servicing right at fair value upon sale.

### Loans to Members

Loans, net, are carried at unpaid principal balances, net deferred loan origination costs or fees, and the allowance for credit losses (allowance) on loans. The Credit Union recognizes interest income on loans using the interest method over the life of the loan. Accordingly, the Credit Union defers certain loan origination and commitment fees, and certain loan origination costs, and amortizes the net fee or cost as an adjustment to the loan yield over the term of the related loan. When a loan is sold or repaid, the remaining net unamortized fee or cost is recognized in interest income.

Loans are considered past due when the contractual amounts due with respect to principal and interest are not received within 30 days of the contractual due date. A loan generally is classified as a "non-accrual" loan when it is 90 days or more past due or when it is deemed to be impaired because the Credit Union no longer expects to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, management ceases the accrual of interest owed, and previously accrued interest is charged against interest income. A loan is generally returned to accrual status when the loan is current and management has reasonable assurance that the loan will be fully collectible. Interest income on non-accrual loans is recorded when received in cash.

Certain commercial and consumer loans for which repayment is expected to be provided substantially through the operation or sale of the loan collateral are considered to be collateral-dependent.

Any loan in any portfolio may be charged-off prior to the policies described below if a loss confirming event has occurred. Loss confirming events include, but are not limited to, bankruptcy (unsecured), continued delinquency, foreclosure, or receipt of an asset valuation indicating a collateral deficiency and that asset is the sole source of repayment.

Automobile and other consumer loans are generally charged-off at 120-days past due. Residential mortgages and home equity loans are charged-off to the estimated fair value of the collateral at 150-days past due. Commercial loans are generally either charged-off or written down to net realizable value at 90-days past due.

As part of the ongoing monitoring of the credit quality of the Credit Union's loan portfolio, management tracks certain credit quality indicators. The Credit Union assigns a risk rating to all commercial loans except pools of homogeneous loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by the Credit Union's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate, and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into eight major categories, defined as follows:

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

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*Strong:* A “Strong” loan is well-protected by the borrower’s repayment capacity, collateral, and overall financial position, with full security in tangible assets to ensure repayment. It reflects consistently strong financial performance, including above-policy debt service coverage, low loan-to-value, and solid global cash flow support. Borrowers demonstrate a strong net worth, clean credit history, and stable or high occupancy levels where applicable. Overall, these loans exhibit low risk due to quality collateral, reliable income, and sound financial strength.

*Good:* A “Good” loan is generally well-supported by the borrower’s repayment capacity and collateral, but may show minor weaknesses compared to a “Strong” rating. It reflects stable financial performance with adequate profitability, solid debt service coverage above policy, and reasonable leverage. Borrowers typically have good net worth and credit history, with only minimal and well-managed delinquencies, if any. Overall, these loans present moderate-low risk with dependable repayment sources and sound, though not exceptional, financial strength.

*Satisfactory:* A “Satisfactory” loan is adequately supported by identified repayment sources, with stable but less robust financial performance compared to higher ratings. Debt service coverage, leverage, and net worth meet policy but with narrower margins and less cushion. Borrowers may show some minor credit weaknesses, though all accounts are generally current and delinquencies are limited in severity and duration. Overall, these loans carry moderate risk, supported by acceptable collateral quality and occupancy levels.

*Watch:* A “Watch” loan reflects emerging weaknesses or adverse trends that require closer monitoring, though issues are typically considered temporary or potentially correctable. Financial performance, debt service coverage, and leverage have begun to fall below policy, and credit or operational concerns may be present. Collateral quality, occupancy, or payment performance may also show signs of decline. Overall, these loans carry elevated risk and are monitored closely during a transitional period to determine if they improve or deteriorate further.

*Special Mention:* A “Special Mention” loan has identifiable weaknesses that could negatively impact repayment if not addressed. Financial performance and debt service coverage are typically below policy, and leverage may be elevated, often with LTV exceeding prudent levels. Additional concerns may include management issues, collateral condition, documentation gaps, or pending legal matters. Overall, these loans present heightened risk and require active management to prevent further deterioration.

*Substandard:* Loans classified as substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well-defined weaknesses include a borrower’s lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

*Doubtful:* Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

*Loss:* Loans classified as loss are considered uncollectible and are charged-off immediately.

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

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Consumer and residential real estate loans are not risk graded. Rather, consumer and residential real estate loans in non-accrual are deemed non-performing.

Borrowers that are experiencing financial difficulty receive a modification in the form of principal forgiveness, interest rate reduction, an other-than-insignificant payment delay or a term extension in the current period need to be disclosed. The Credit Union may modify loans to borrowers experiencing financial difficulty as a way of managing risk and mitigating credit loss from the borrower. The Credit Union may make various types of modifications and may in certain circumstances use a combination of modification types to mitigate future loss.

### Allowance

The allowance is deducted from the amortized cost basis of a group of financial assets so that the balance sheet reflects the net amount the Credit Union expects to collect. Subsequent changes (favorable and unfavorable) in expected credit losses are recognized immediately in net income as a credit loss expense or a reversal of credit loss expense.

Historical loss experience provides the basis for the estimation of expected credit losses, with adjustments made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels, and terms, as well as for changes in the micro- and macroeconomic environments. The economic parameters are developed using available information relating to past events, current conditions, and reasonable and supportable forecasts. The Credit Union's reasonable and supportable forecast period reverts to a historical norm based on inputs within approximately two years. Management estimates the allowance by projecting the expected loss rate, using industry or Credit Union experienced historical loss rates or by using loss rate components: probability-of-default and loss-given-default. This projection is performed in consideration of current loan-specific risk characteristics and reasonable and supportable economic parameters for each month of the remaining contractual term and may be discounted. Expected credit losses are estimated over the contractual term of the loans, adjusted for forecasted prepayments when appropriate. The contractual term excludes potential extensions or renewals. The methodology used in the estimation of the allowance for credit losses on loans, which is performed at least quarterly, is designed to be dynamic and responsive to changes in portfolio credit quality and forecasted economic conditions. Each quarter management reassesses the appropriateness of its economic forecast component and adjusts for changes in underwriting standards, portfolio mix, and other relevant data shifts not included in base loss rate calculation. The allowance for credit losses on loans is measured on a collective (pool) basis when similar risk characteristics exist. The portfolio segment represents the level at which a systematic methodology is applied to estimate credit losses.

Loans that do not share risk characteristics are evaluated on an individual basis. These include loans that are in nonaccrual status with balances above management determined materiality thresholds depending on loan class. If a loan is determined to be collateral-dependent or meets the criteria to apply the collateral-dependent practical expedient, expected credit losses are determined based on the fair value of the collateral at the reporting date, less costs to sell as appropriate.

The Credit Union maintains an allowance on off-balance sheet credit exposures. The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union. The allowance on off-balance sheet credit exposures is adjusted as a provision for credit losses expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their estimated life.

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

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The Credit Union has elected to exclude accrued interest receivable from the measurement of its allowance given the well-defined non-accrual policies in place for all loan portfolios which results in timely reversal of outstanding interest through interest income.

### Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation is computed principally by the straight-line method based upon the useful lives of the related assets. The cost of leasehold improvements is amortized using the straight-line method over the term of the lease, or the estimated life of the asset, whichever is less. The Credit Union reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Maintenance, repairs, and minor alterations are charged to current operations as expenditures occur and major improvements are capitalized.

### Leases

The Credit Union recognizes right-of-use assets and lease liabilities for leases with terms greater than 12 months. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method (finance leases) or on a straight-line basis over the term of the lease (operating leases). Lease and non-lease components of a contract are accounted for as a single lease component. The Credit Union's right-of-use assets and lease liabilities primarily relate to office facilities, branches, and equipment used in connection with long-term contracts. Renewal periods are included in the expected lease term if they are reasonably certain of being exercised.

Right-of-use assets and lease liabilities are recorded at the net present value of future lease payments and include any initial direct costs incurred at lease commencement. The Credit Union has elected to use a risk-free discount rate to determine the net present value of the lease when the rate implicit in the lease is not readily determinable. Right-of-use assets under finance leases are amortized over the life of the lease or, if shorter, the life of the leased asset, on a straight-line basis. Right-of-use assets under operating leases are reduced as lease expense is incurred.

Short-term leases (initial terms less than 12 months) are expensed on a straight-line basis over the lease term. Right-of-use assets were approximately \$5,830,000 and \$6,830,000 as of December 31, 2025 and 2024, respectively, and are included within prepaid and other assets in the statements of financial condition. Lease liabilities were approximately \$5,889,000 and \$7,111,000 as of December 31, 2025 and 2024, respectively, and are included within accrued expenses and other liabilities in the statements of financial condition.

### Perpetual Contributed Capital (PCC)

As a requirement of membership, the Credit Union maintains a PCC account with Catalyst Corporate Federal Credit Union (CCFCU) of \$525,000. The PCC is not subject to share insurance coverage. The PCC is not releasable due solely to a merger, charter conversion or liquidation and is callable at the option of CCFCU. The PCC has a perpetual maturity and a non-cumulative dividend. The PCC is included within prepaid and other assets in the statements of financial condition.

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

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### National Credit Union Share Insurance Fund (NCUSIF) Deposit

The deposit in the NCUSIF is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. The NCUSIF deposit is required to be periodically reviewed for impairment.

### Members' Shares and Savings Accounts

Members' shares are the savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in annual elections of the Board of Directors. Irrespective of the number of shares owned, no member has more than one vote. Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' shares and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

### Borrowed Funds

The Credit Union has outstanding borrowings from the FHLB of San Francisco. FHLB borrowings are secured by qualified collateral, as defined in the FHLB Statement of Credit Policy.

### Revenue from Contracts with Customers

The Credit Union's revenue in the scope of ASC 606, Revenue from Contracts with Customers, is recognized and disaggregated within non-interest income in the statements of income. A description of the Credit Union's revenue streams accounted for under ASC 606 are as follows.

### *Overdraft and Share Draft Fees, Service Charges and Other Fees*

Fees and charges include charges related to depository accounts under standard service agreements (e.g., courtesy pay fees, insufficient funds charges, late fees, etc.). Transaction-based fees are recognized at the time of transaction which is the point in time the Credit Union fulfills the member's request. Other account maintenance fees are generally earned over the course of a month which is the period the Credit Union satisfies its performance obligation.

### *Interchange Income*

Interchange income includes interchange fees from credit and debit cards processed through card association networks. The Credit Union earns a percentage of the underlying value of each transaction. These fees are recognized daily when the processing service is provided to the member. The costs of related loyalty rewards programs are presented separately in non-interest expenses in the statements of income.

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

### Advertising Costs

Advertising costs are expensed as incurred and are reported as Educational and Promotional expenses in the statements of income.

### Income Taxes

The Credit Union is exempt, by the Internal Revenue Code Section 501(c)(1)(a)(I), from federal and state income taxes.

### Subsequent Events

Management has evaluated subsequent events through April 24, 2026, the date the financial statements were available to be issued.

### **Note 2 – Investment Securities**

The following table presents the amortized cost and estimated fair value of debt securities as of December 31, 2025:

|                            | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value |
|----------------------------|-------------------|------------------------------|-------------------------------|---------------|
| Available-for-sale         |                   |                              |                               |               |
| Mortgage-backed securities | \$ 193,561        | \$ 2,559                     | \$ (1)                        | \$ 196,119    |

The following table presents the amortized cost and estimated fair value of debt securities as of December 31, 2024:

|                            | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value |
|----------------------------|-------------------|------------------------------|-------------------------------|---------------|
| Available-for-sale         |                   |                              |                               |               |
| Mortgage-backed securities | \$ 227,462        | \$ 1,487                     | \$ (53)                       | \$ 228,896    |

As of December 31, 2025, the Credit Union's investment portfolio consisted entirely of mortgage-backed securities and collateralized mortgage obligations. These securities return principal based on payments received on the underlying mortgages or assets. These securities have expected weighted average lives ranging from two to seven years. However, return of principal may differ from expectation based on fluctuations in market interest rates, delinquency, foreclosures and the underlying collateral values. Additionally, borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

Information pertaining to investments with gross unrealized losses as of December 31, 2025, aggregated by investment category and length of time that individual investments have been in a continuous loss position follows:

| Description<br>of Securities | Continuing Unrealized<br>Losses for Less Than<br>12 Months |                      | Continuing Unrealized<br>Losses for 12 Months<br>or More |                      | Total         |                      |
|------------------------------|--|----------------------|--|----------------------|---------------|----------------------|
|                              | Fair<br>Value  | Unrealized<br>Losses | Fair<br>Value  | Unrealized<br>Losses | Fair<br>Value | Unrealized<br>Losses |
| Available-for-sale           |  |                      |  |                      |               |                      |
| Mortgage-backed securities   | \$ -   | \$ -                 | \$ 7,974   | \$ (1)               | \$ 7,974      | \$ (1)               |

Information pertaining to investments with gross unrealized losses as of December 31, 2024, aggregated by investment category and length of time that individual investments have been in a continuous loss position follows:

| Description<br>of Securities | Continuing Unrealized<br>Losses for Less Than<br>12 Months |                      | Continuing Unrealized<br>Losses for 12 Months<br>or More |                      | Total         |                      |
|------------------------------|--|----------------------|--|----------------------|---------------|----------------------|
|                              | Fair<br>Value  | Unrealized<br>Losses | Fair<br>Value  | Unrealized<br>Losses | Fair<br>Value | Unrealized<br>Losses |
| Available-for-sale           |  |                      |  |                      |               |                      |
| Mortgage-backed securities   | \$ -   | \$ -                 | \$ 14,765  | \$ (53)              | \$ 14,765     | \$ (53)              |

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

### Note 3 – Loans to Members

The composition of loans to members as of December 31, 2025 and 2024 is as follows:

|                                   | <b>2025</b>             | <b>2024</b>             |
|-----------------------------------|-------------------------|-------------------------|
| Consumer                          |                         |                         |
| Unsecured                         | \$ 98,282,895           | \$ 129,728,805          |
| Automobile                        | 45,372,379              | 62,516,701              |
| Other secured                     | 1,964,288               | 2,255,589               |
| Total consumer                    | 145,619,562             | 194,501,095             |
| Residential real estate           |                         |                         |
| First mortgage                    | 229,391,370             | 318,332,002             |
| Second mortgage                   | 105,159,455             | 94,136,687              |
| HELOC                             | 74,270,654              | 66,767,362              |
| Total residential real estate     | 408,821,479             | 479,236,051             |
| Commercial                        |                         |                         |
| Agency secured                    | 182,563,090             | 205,221,683             |
| Agency unsecured                  | 224,229,216             | 227,679,963             |
| Real estate                       | 234,860,328             | 251,388,015             |
| Total commercial                  | 641,652,634             | 684,289,661             |
| Total loans                       | 1,196,093,675           | 1,358,026,807           |
| Less: Allowance for credit losses | (22,614,803)            | (26,188,859)            |
| Loans to members, net             | <b>\$ 1,173,478,872</b> | <b>\$ 1,331,837,948</b> |

Net deferred loan origination (fees) and costs are included within the loan principal balances above. These deferred (fees) and costs approximated \$1,232,000 and \$2,178,000 as of December 31, 2025 and 2024, respectively.

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

### Allowance for Credit Losses

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment as of and for the year ended December 31, 2025:

|                             | Consumer     | Residential<br>Real Estate | Commercial    | Total         |
|-----------------------------|--------------|----------------------------|---------------|---------------|
| Allowance for credit losses |              |                            |               |               |
| Beginning balance           | \$ 6,306,876 | \$ 8,990,058               | \$ 10,891,925 | \$ 26,188,859 |
| Provision for credit losses | 9,186,004    | (7,282,168)                | 13,752,329    | 15,656,165    |
| Recoveries                  | 1,620,026    | 395                        | 1,444,729     | 3,065,150     |
| Charge-offs                 | (10,209,529) | (237,351)                  | (11,848,491)  | (22,295,371)  |
| Ending allowance            | \$ 6,903,377 | \$ 1,470,934               | \$ 14,240,492 | \$ 22,614,803 |

During the year ended December 31, 2025, the allowance decreased approximately \$3,574,000. The decrease was mainly driven by the decrease in total outstanding loans.

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment as of and for the year ended December 31, 2024:

|                             | Consumer     | Residential<br>Real Estate | Commercial    | Total         |
|-----------------------------|--------------|----------------------------|---------------|---------------|
| Allowance for credit losses |              |                            |               |               |
| Beginning balance           | \$ 4,863,239 | \$ 8,590,683               | \$ 6,288,659  | \$ 19,742,581 |
| Provision for credit losses | 11,785,227   | 564,864                    | 14,399,732    | 26,749,823    |
| Recoveries                  | 1,183,454    | 14,749                     | 850,999       | 2,049,202     |
| Charge-offs                 | (11,525,044) | (180,238)                  | (10,647,465)  | (22,352,747)  |
| Ending allowance            | \$ 6,306,876 | \$ 8,990,058               | \$ 10,891,925 | \$ 26,188,859 |

During the year ended December 31, 2024, the allowance increased approximately \$6,446,000. The increase was mainly driven by increased charge-offs, specifically in the Farmers Agency unsecured class of loans.

During the year ended December 31, 2025 and 2024, the provision for credit losses for unfunded lending commitments approximated \$44,000 and \$220,000. The ending balance of the allowance for unfunded lending commitments as of December 31, 2025 and 2024, was approximately \$921,000 and \$877,000 and is reported as a component of accrued expenses and other liabilities in the statement of financial condition.

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

### Collateral-Dependent Loans

The table below summarizes the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2025:

|                         | Collateral Type      |                     |                      | Without an<br>Allowance | With an<br>Allowance | Allowance<br>Allocation |
|-------------------------|----------------------|---------------------|----------------------|-------------------------|----------------------|-------------------------|
|                         | Real<br>Estate       | Other<br>Assets     | Total                |                         |                      |                         |
| Consumer                |                      |                     |                      |                         |                      |                         |
| Unsecured               | \$ -                 | \$ 438,794          | \$ 438,794           | \$ -                    | \$ 438,794           | \$ 434,778              |
| Automobile              | \$ -                 | \$ 19,702           | \$ 19,702            | \$ -                    | \$ 19,702            | \$ 19,702               |
| Residential real estate |                      |                     |                      |                         |                      |                         |
| First mortgage          | \$ 7,542,023         | \$ -                | \$ 7,542,023         | \$ -                    | \$ 7,542,023         | \$ 49,290               |
| Second mortgage         | \$ 3,002,200         | \$ -                | \$ 3,002,200         | \$ -                    | \$ 3,002,200         | \$ 381,840              |
| HELOC                   | \$ 2,324,112         | \$ -                | \$ 2,324,112         | \$ -                    | \$ 2,324,112         | \$ 247,581              |
| Commercial:             |                      |                     |                      |                         |                      |                         |
| Agency secured          | \$ -                 | \$ 1,369,251        | \$ 1,369,251         | \$ -                    | \$ 1,369,251         | \$ 858,614              |
| Agency unsecured        | \$ -                 | \$ 4,672,087        | \$ 4,672,087         | \$ -                    | \$ 4,672,087         | \$ 4,070,871            |
| Totals                  |                      |                     |                      |                         |                      |                         |
| Consumer                | \$ -                 | \$ 458,496          | \$ 458,496           | \$ -                    | \$ 458,496           | \$ 454,480              |
| Residential real estate | 12,868,335           | -                   | 12,868,335           | -                       | 12,868,335           | 678,711                 |
| Commercial              | -                    | 6,041,338           | 6,041,338            | -                       | 6,041,338            | 4,929,485               |
| Grand total             | <u>\$ 12,868,335</u> | <u>\$ 6,499,834</u> | <u>\$ 19,368,169</u> | <u>\$ -</u>             | <u>\$ 19,368,169</u> | <u>\$ 6,062,676</u>     |

The table below summarizes the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2024:

|                         | Collateral Type     |                      |                      | Without an<br>Allowance | With an<br>Allowance | Allowance<br>Allocation |
|-------------------------|---------------------|----------------------|----------------------|-------------------------|----------------------|-------------------------|
|                         | Real<br>Estate      | Other<br>Assets      | Total                |                         |                      |                         |
| Consumer                |                     |                      |                      |                         |                      |                         |
| Unsecured               | \$ -                | \$ 1,109,859         | \$ 1,109,859         | \$ -                    | \$ 1,109,859         | \$ 585,072              |
| Automobile              | \$ -                | \$ 260,804           | \$ 260,804           | \$ -                    | \$ 260,804           | \$ 88,530               |
| Residential real estate |                     |                      |                      |                         |                      |                         |
| First mortgage          | \$ 4,972,855        | \$ -                 | \$ 4,972,855         | \$ -                    | \$ 4,972,855         | \$ 2,645                |
| Second mortgage         | \$ 1,300,233        | \$ -                 | \$ 1,300,233         | \$ -                    | \$ 1,300,233         | \$ 331,263              |
| HELOC                   | \$ 1,583,406        | \$ -                 | \$ 1,583,406         | \$ -                    | \$ 1,583,406         | \$ 18,447               |
| Commercial:             |                     |                      |                      |                         |                      |                         |
| Agency secured          | -                   | \$ 4,678,783         | 4,678,783            | -                       | \$ 4,678,783         | \$ 1,545,123            |
| Agency unsecured        | -                   | \$ 13,495,343        | 13,495,343           | -                       | \$ 13,495,343        | \$ 5,579,885            |
| Totals                  |                     |                      |                      |                         |                      |                         |
| Consumer                | \$ -                | \$ 1,370,663         | \$ 1,370,663         | \$ -                    | \$ 1,370,663         | \$ 673,602              |
| Residential real estate | 7,856,494           | -                    | 7,856,494            | -                       | 7,856,494            | 352,355                 |
| Commercial              | -                   | 18,174,126           | 18,174,126           | -                       | 18,174,126           | 7,125,008               |
| Grand total             | <u>\$ 7,856,494</u> | <u>\$ 19,544,789</u> | <u>\$ 27,401,283</u> | <u>\$ -</u>             | <u>\$ 27,401,283</u> | <u>\$ 8,150,965</u>     |

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

### Loan Modifications

The following table presents the amortized cost basis of loans as of December 31, 2025 that were experiencing financial difficulty and modified during the year ended December 31, 2025, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

|                         | <u>Term<br/>Extension</u> | <u>Interest Rate<br/>Reduction</u> | <u>Combination<br/>Term<br/>Extension and<br/>Interest Rate<br/>Reduction</u> | <u>Total<br/>Class of<br/>Financing<br/>Receivable</u> |
|-------------------------|---------------------------|------------------------------------|---|--|
| Consumer                |                           |                                    |   |  |
| Unsecured               | \$ -                      | \$ 94,341                          | \$ 683,299  | 0.79%  |
| Automobile              | -                         | 12,122                             | 182,385   | 0.43%  |
| Residential real estate |                           |                                    |   |  |
| HELOC                   | 122,177                   | 609,377                            | 1,545,668   | 3.07%  |
| Commercial              |                           |                                    |   |  |
| Agency secured          | -                         | 621,026                            | 3,932,203   | 2.49%  |
| Agency unsecured        | -                         | 2,531,868                          | 9,437,138   | 5.34%  |
| <b>Total</b>            | <u>\$122,177</u>          | <u>\$ 3,868,734</u>                | <u>\$ 15,780,693</u>  |  |

The following table presents the amortized cost basis of loans as of December 31, 2024 that were experiencing financial difficulty and modified during the year ended December 31, 2024, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

|                         | <u>Interest Rate<br/>Reduction</u> | <u>Combination<br/>Term<br/>Extension and<br/>Interest Rate<br/>Reduction</u> | <u>Total<br/>Class of<br/>Financing<br/>Receivable</u> |
|-------------------------|------------------------------------|---|--|
| Consumer                |                                    |   |  |
| Unsecured               | \$ 83,392                          | \$ 610,672  | 0.54%  |
| Automobile              | -                                  | 200,818   | 0.32%  |
| Residential real estate |                                    |   |  |
| HELOC                   | -                                  | 129,781   | 0.19%  |
| Commercial              |                                    |   |  |
| Agency secured          | 644,344                            | 2,218,057   | 1.39%  |
| Agency unsecured        | 2,275,840                          | 6,581,307   | 3.89%  |
| <b>Total</b>            | <u>\$ 3,003,576</u>                | <u>\$ 9,740,635</u>   |  |

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

### Age Analysis of Past Due Loans

The following table presents the aging of the recorded investment in past due loans as of December 31, 2025:

|                         | 30-59 Days<br>Past Due | 60-89 Days<br>Past Due | 90 Days<br>and Greater<br>Past Due | Total<br>Past Due    | Current                 | Total Loans             |
|-------------------------|------------------------|------------------------|------------------------------------|----------------------|-------------------------|-------------------------|
| Consumer                |                        |                        |                                    |                      |                         |                         |
| Unsecured               | \$ 1,163,910           | \$ 649,358             | \$ 1,174,411                       | \$ 2,987,679         | \$ 95,295,216           | \$ 98,282,895           |
| Automobile              | 286,962                | 287,810                | 48,255                             | 623,027              | 44,749,352              | 45,372,379              |
| Other secured           | -                      | 7,116                  | 31,269                             | 38,385               | 1,925,903               | 1,964,288               |
| Total                   | <u>1,450,872</u>       | <u>944,284</u>         | <u>1,253,935</u>                   | <u>3,649,091</u>     | <u>141,970,471</u>      | <u>145,619,562</u>      |
| Residential real estate |                        |                        |                                    |                      |                         |                         |
| First mortgage          | 3,244,678              | 1,985,082              | 6,317,591                          | 11,547,351           | 217,844,019             | 229,391,370             |
| Second mortgage         | 1,342,564              | 1,031,423              | 1,970,777                          | 4,344,764            | 100,814,691             | 105,159,455             |
| HELOC                   | 3,685,733              | 515,742                | 1,808,370                          | 6,009,845            | 68,260,809              | 74,270,654              |
| Total                   | <u>8,272,975</u>       | <u>3,532,247</u>       | <u>10,096,738</u>                  | <u>21,901,960</u>    | <u>386,919,519</u>      | <u>408,821,479</u>      |
| Commercial              |                        |                        |                                    |                      |                         |                         |
| Agency secured          | 329,653                | 210,644                | 221,217                            | 761,514              | 181,801,576             | 182,563,090             |
| Agency unsecured        | 2,408,087              | 1,084,230              | 954,744                            | 4,447,061            | 219,782,155             | 224,229,216             |
| Real estate             | 465,279                | -                      | -                                  | 465,279              | 234,395,049             | 234,860,328             |
| Total                   | <u>3,203,019</u>       | <u>1,294,874</u>       | <u>1,175,961</u>                   | <u>5,673,854</u>     | <u>635,978,780</u>      | <u>641,652,634</u>      |
| Grand total             | <u>\$ 12,926,866</u>   | <u>\$ 5,771,405</u>    | <u>\$ 12,526,634</u>               | <u>\$ 31,224,905</u> | <u>\$ 1,164,868,770</u> | <u>\$ 1,196,093,675</u> |

Loans on which the accrual of interest has been discontinued or reduced approximated \$12,527,000 as of December 31, 2025. There were no loans 90 days or more past due and still accruing interest as of December 31, 2025.

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

The following table presents the aging of the recorded investment in past due loans as of December 31, 2024:

|                         | 30-59 Days<br>Past Due | 60-89 Days<br>Past Due | 90 Days<br>and Greater<br>Past Due | Total<br>Past Due    | Current                 | Total Loans             |
|-------------------------|------------------------|------------------------|------------------------------------|----------------------|-------------------------|-------------------------|
| Consumer                |                        |                        |                                    |                      |                         |                         |
| Unsecured               | \$ 1,770,169           | \$ 1,126,271           | \$ 1,117,253                       | \$ 4,013,693         | \$ 125,715,112          | \$ 129,728,805          |
| Automobile              | 406,349                | 185,195                | 143,385                            | 734,929              | 61,781,772              | 62,516,701              |
| Other secured           | -                      | -                      | -                                  | -                    | 2,255,589               | 2,255,589               |
| Total                   | <u>2,176,518</u>       | <u>1,311,466</u>       | <u>1,260,638</u>                   | <u>4,748,622</u>     | <u>189,752,473</u>      | <u>194,501,095</u>      |
| Residential real estate |                        |                        |                                    |                      |                         |                         |
| First mortgage          | 5,764,993              | 1,917,505              | 5,868,460                          | 13,550,958           | 304,781,044             | 318,332,002             |
| Second mortgage         | 1,659,313              | 312,817                | 1,019,553                          | 2,991,683            | 91,145,004              | 94,136,687              |
| HELOC                   | 1,260,283              | 702,519                | 751,106                            | 2,713,908            | 64,053,454              | 66,767,362              |
| Total                   | <u>8,684,589</u>       | <u>2,932,841</u>       | <u>7,639,119</u>                   | <u>19,256,549</u>    | <u>459,979,502</u>      | <u>479,236,051</u>      |
| Commercial              |                        |                        |                                    |                      |                         |                         |
| Agency secured          | 480,008                | 222,130                | 540,787                            | 1,242,925            | 203,978,758             | 205,221,683             |
| Agency unsecured        | 3,269,909              | 609,834                | 1,131,384                          | 5,011,127            | 222,668,836             | 227,679,963             |
| Real estate             | -                      | -                      | -                                  | -                    | 251,388,015             | 251,388,015             |
| Total                   | <u>3,749,917</u>       | <u>831,964</u>         | <u>1,672,171</u>                   | <u>6,254,052</u>     | <u>678,035,609</u>      | <u>684,289,661</u>      |
| Grand total             | <u>\$ 14,611,024</u>   | <u>\$ 5,076,271</u>    | <u>\$ 10,571,928</u>               | <u>\$ 30,259,223</u> | <u>\$ 1,327,767,584</u> | <u>\$ 1,358,026,807</u> |

Loans on which the accrual of interest has been discontinued or reduced approximated \$10,572,000 as of December 31, 2024. There were no loans 90 days or more past due and still accruing interest as of December 31, 2024.

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

### Consumer, Real Estate and Commercial Agency Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance. For consumer, real estate and commercial agency classes, the Credit Union evaluates credit quality based on the aging status of the loan and payment activity. Accordingly, non-accrual loans are considered to be in a non-performing status for purposes of credit quality evaluation.

The following tables present the loan balance based on performance indication as of December 31, 2025 and 2024:

|                  | As of December 31, 2025 |                      | As of December 31, 2024 |                      |
|------------------|-------------------------|----------------------|-------------------------|----------------------|
|                  | Performing Loans        | Non-Performing Loans | Performing Loans        | Non-Performing Loans |
| Consumer         |                         |                      |                         |                      |
| Unsecured        | \$ 97,108,484           | \$ 1,174,411         | \$ 128,611,552          | \$ 1,117,253         |
| Automobile       | 45,324,124              | 48,255               | 62,373,316              | 143,385              |
| Other secured    | <u>1,933,019</u>        | <u>31,269</u>        | <u>2,255,589</u>        | <u>-</u>             |
| Total            | <u>144,365,627</u>      | <u>1,253,935</u>     | <u>193,240,457</u>      | <u>1,260,638</u>     |
| Real estate      |                         |                      |                         |                      |
| First mortgage   | 223,073,779             | 6,317,591            | 312,463,542             | 5,868,460            |
| Second mortgage  | 103,188,678             | 1,970,777            | 93,117,134              | 1,019,553            |
| HELOC            | <u>72,462,284</u>       | <u>1,808,370</u>     | <u>66,016,256</u>       | <u>751,106</u>       |
| Total            | <u>398,724,741</u>      | <u>10,096,738</u>    | <u>471,596,932</u>      | <u>7,639,119</u>     |
| Commercial       |                         |                      |                         |                      |
| Agency secured   | 182,341,873             | 221,217              | 204,680,896             | 540,787              |
| Agency unsecured | <u>223,274,472</u>      | <u>954,744</u>       | <u>226,548,579</u>      | <u>1,131,384</u>     |
| Total            | <u>405,616,345</u>      | <u>1,175,961</u>     | <u>431,229,475</u>      | <u>1,672,171</u>     |
| Grand total      | <u>\$ 948,706,713</u>   | <u>\$ 12,526,634</u> | <u>\$ 1,096,066,864</u> | <u>\$ 10,571,928</u> |

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

The Credit Union considers the performance of the loan portfolio and its impact on the allowance. For commercial real estate loans, the Credit Union evaluates credit quality based on risk ratings assigned to each loan as described in Note 1.

The following table presents the recorded investment in commercial real estate loans based on risk rating as of December 31, 2025 and 2024:

|                 | 2025           | 2024           |
|-----------------|----------------|----------------|
| Credit Grade    |                |                |
| Strong          | \$ 8,929,275   | \$ -           |
| Good            | 82,344,348     | 71,371,924     |
| Satisfactory    | 124,925,876    | 172,444,762    |
| Watch list      | 14,271,079     | 3,830,984      |
| Special mention | 3,755,249      | 3,653,152      |
| Substandard     | 634,501        | 87,193         |
| Doubtful        | -              | -              |
| Loss            | -              | -              |
|                 | \$ 234,860,328 | \$ 251,388,015 |
| Grand total     |                |                |

### Note 4 – Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation and amortization, and is summarized as of December 31, 2025 and 2024 by major classification as follows:

|  | 2025          | 2024          |
|--|---------------|---------------|
| Furniture and equipment                        | \$ 17,483,761 | \$ 16,927,720 |
| Leasehold improvements                         | 5,064,341     | 5,069,436     |
|  | 22,548,102    | 21,997,156    |
| Less accumulated depreciation and amortization | (17,643,777)  | (15,647,700)  |
|  | \$ 4,904,325  | \$ 6,349,456  |

Depreciation and amortization charged to office operating costs was approximately \$2,025,000 and \$1,944,000 for the years ended December 31, 2025 and 2024, respectively.

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

### Note 5 – Members’ Shares and Savings Accounts

Members’ shares and savings accounts are summarized as follows as of December 31, 2025 and 2024:

|                                       | <u>2025</u>             | <u>2024</u>             |
|---------------------------------------|-------------------------|-------------------------|
| Share accounts                        | \$ 331,657,712          | \$ 353,549,998          |
| Share draft accounts                  | 196,800,271             | 180,295,572             |
| Money market accounts                 | 56,494,494              | 68,930,931              |
| Individual retirement accounts (IRAs) | 16,537,654              | 16,761,250              |
| Share and IRA certificates            | <u>527,599,729</u>      | <u>596,289,971</u>      |
|                                       | <u>\$ 1,129,089,860</u> | <u>\$ 1,215,827,722</u> |

As of December 31, 2025, scheduled maturities of share and IRA certificates are as follows:

|                 | <u>2025</u>           |
|-----------------|-----------------------|
| Within one year | \$ 343,033,846        |
| 1 to 2 years    | 84,691,076            |
| 2 to 3 years    | 74,580,009            |
| 3 to 4 years    | 20,973,673            |
| 4 to 5 years    | <u>4,321,125</u>      |
|                 | <u>\$ 527,599,729</u> |

The aggregate amount of members’ time deposit accounts in denominations of \$250,000 or more was approximately \$205,250,000 as of December 31, 2025.

Included in share and IRA certificates above are non-member time deposits of approximately \$172,304,000 and \$212,929,000 as of December 31, 2025 and 2024, respectively.

### Note 6 – Borrowed Funds

#### CCFCU

As of December 31, 2025 and 2024, the Credit Union maintained an unused line of credit with CCFCU. The terms of the agreement require the pledging of all presently owned and later acquired unencumbered assets as security for obligations under the line-of-credit agreement. The total unused line of credit under this agreement approximated \$30,000,000 as of December 31, 2025 and 2024.

#### Corporate One Federal Credit Union

As of December 31, 2025 and 2024, the Credit Union maintained an unused line of credit with Corporate One Federal Credit Union. The terms of the agreement require the pledging of all presently owned and later acquired unencumbered assets as security for obligations under the line-of-credit agreement. The total unused line of credit under this agreement approximated \$50,000,000 as of December 31, 2025 and 2024.

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

### Federal Reserve Bank of San Francisco

The Credit Union maintains a credit availability agreement with the Federal Reserve Bank of San Francisco to comply with NCUA regulations Part 741.12: Maintaining Access to Emergency Liquidity. This credit availability agreement allows the Credit Union to borrow against its vehicle loan portfolio. The Credit Union is able to borrow according to the percentages published in the current “Federal Reserve Discount Window and Payment System Risk Collateral Margins Table” which is available on the Federal Reserve Bank’s website. The carrying amount of the pledged collateral was approximately \$4,461,000 and \$4,799,000 as of December 31, 2025 and 2024, respectively. Based on the collateral pledged, the maximum unused line of credit as of December 31, 2025 and 2024 was approximately \$3,135,000 and \$3,308,000, respectively.

### FHLB

As a member of the FHLB, the Credit Union has access to a pre-approved secured line of credit with the capacity to borrow up to a certain percentage of the value of its eligible collateral, as defined in the FHLB Statement of Credit Policy. The agreement requires the pledging of eligible collateral for borrowing capacity. The carrying amount of the pledged collateral was approximately \$462,791,000 and \$617,047,000 as of December 31, 2025 and 2024, respectively. Based on the collateral pledged, the maximum available line of credit as of December 31, 2025 and 2024 was approximately \$286,538,000 and \$322,987,000, respectively, of which approximately \$220,072,000 and \$190,968,000, respectively, was available. During December 31, 2025 and 2024, the Credit Union maintained a letters of credit reimbursement agreement with the FHLB. The letters are being maintained to induce a counterparty to enter into a Swap Agreement or for the benefit of a counterparty or vendor of mortgage loans or public agency or instrumentality or for the benefit of another party in a transaction furthering one of the other purposes stated in the agreement. The agreement provides a maximum commitment for letters of credit of \$6,516,000 and \$49,369,000 as of December 31, 2025 and 2024, respectively.

As of December 31, 2025 and 2024, the Credit Union had outstanding borrowings with the FHLB at interest rates ranging between 2.05% and 5.06%. All borrowings have a fixed rate of interest and the weighted average interest rates were 3.91% and 2.88% as of December 31, 2025 and 2024, respectively. The repayment schedule of the advances as of December 31, 2025 is as follows:

|                 | <u>2025</u>          |
|-----------------|----------------------|
| Within one year | \$ 15,000,000        |
| 1 to 2 years    | 4,100,000            |
| 2 to 3 years    | 2,750,000            |
| 3 to 4 years    | 38,100,000           |
| 4 to 5 years    | -                    |
|                 | <u>\$ 59,950,000</u> |

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

### Note 7 – Employee Benefits

#### Retirement Plans

Prior to 2025, Credit Union management and staff were employed by the Credit Union's sponsor, Farmers, and leased back to the Credit Union. As such, Credit Union employees participated in Farmers' retirement plans and the Credit Union reimbursed Farmers for the retirement plan expenses associated with the leased employees. Effective January 1, 2025, the Credit Union participates in the Insperity 401(k) Plan, a defined contribution, profit-sharing retirement plan sponsored by Insperity Holdings, Inc., and established to provide eligible co-employed worksite employees with the opportunity to save for retirement through salary deferrals and employer contributions. Eligible employees may elect to make pre-tax and/or Roth salary deferrals, subject to Internal Revenue Service limits, including age-based catch-up contributions, and may roll over balances from other qualified retirement plans or IRAs. The Credit Union has adopted an employer contribution structure under its election agreement with Insperity that includes a 2% base (non-elective) company contribution and a matching contribution of up to 6% of eligible employee deferrals, with total employer contributions allocated in accordance with the Plan's terms and applicable IRS regulations. The Plan permits participant-directed investments among available investment options, is intended to comply with ERISA Section 404(c), and provides for distributions upon termination of employment, attainment of specified age thresholds, hardship, or other qualifying events as defined under the Plan. All employee and employer contributions under the Plan are fully vested at all times. Plan assets are held in trust, with administrative and investment management services provided by Insperity and its designated fiduciaries, and retirement plan costs are accrued and funded on a current basis in accordance with the Credit Union's participation agreement. Total retirement plan expense for the years ended December 31, 2025 and 2024 was approximately \$2,051,000 and \$1,936,000, respectively.

### Note 8 – Commitments and Contingent Liabilities

#### Lease Commitments

The Credit Union leases certain office facilities under long-term, non-cancellable operating leases that expire at various dates through 2032, some of which may include options to extend the leases for up to 11 years. Monthly payments range from \$2,000 to \$77,000, with certain leases requiring annual increases based on the Consumer Price Index and a monthly charge for common area maintenance based on actual costs incurred.

The total cost of operating leases, included in office occupancy expenses, was approximately \$1,765,000 and \$1,806,000 for the years ended December 31, 2025 and 2024, respectively.

Supplemental lease information is as follows for the years ended December 31, 2025 and 2024:

|  | <u>2025</u>  | <u>2024</u>  |
|--|--------------|--------------|
| Cash paid for amounts included in the measurement of lease liabilities   |              |              |
| Operating cash flows from operating leases                               | \$ 1,372,005 | \$ 1,337,768 |
| Right-of-use assets obtained in exchange for operating lease liabilities | \$ -         | \$ -         |
| Weighted-average remaining lease term                                    | 4.49 years   | 5.44 years   |
| Weighted-average discount rate   | 2.36%        | 2.33%        |

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

Remaining lease payments approximate the following as of December 31, 2025:

| <u>Year Ending December 31<sup>st</sup></u> | <u>Amount</u>              |
|---|----------------------------|
| 2026  | \$ 1,407,000               |
| 2027  | 1,444,000                  |
| 2028  | 1,497,000                  |
| 2029  | 1,240,000                  |
| 2030  | 251,000                    |
| Thereafter                                  | <u>409,000</u>             |
| Total minimum lease payments                | 6,248,000                  |
| Less: imputed interest                      | <u>(359,000)</u>           |
| Present value of lease liabilities          | <u><u>\$ 5,889,000</u></u> |

### Off-Balance Sheet Risk

The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the statements of financial condition.

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2025, the total unfunded commitments under such lines of credit was approximately \$262,762,000. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

### **Note 9 – Regulatory Capital**

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory, and possible additional discretionary actions by regulators, that if undertaken, could have a direct material effect on the Credit Union's financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines involving quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Credit Union's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weights and other factors.

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

Federally insured, natural-person credit unions defined as "complex" have to comply with the NCUA's risk-based capital ("RBC") rule or the Complex Credit Union Leverage Ratio ("CCULR") rule. A credit union is defined as "complex" if the credit union's quarter-end total assets exceed \$500,000,000, as reflected in its most recent Call Report. The rules require credit unions taking certain risks to hold capital commensurate with those risks. Current regulations establish an RBC ratio measure that is the percentage of a credit union's capital divided by the credit union's defined risk weighted asset base.

The RBC rule requires a 10 percent RBC ratio level for "well capitalized" credit unions, and an 8 percent RBC ratio level for "adequately capitalized" credit unions. The CCULR rule simplifies the RBC rule requirements for complex credit unions that meet certain eligibility criteria by allowing them to choose between implementing the RBC rule or the CCULR. Credit unions that select CCULR instead of the RBC rule are required to have a minimum 9 percent leverage ratio. A qualifying complex credit union opting into the CCULR framework calculates its CCULR in the same manner as its net worth ratio under NCUA's PCA regulations, part 702.

The Credit Union has elected to use the Complex Credit Union Leverage Ratio as the determining net worth classification for regulatory purposes as of December 31, 2025 and 2024. The Credit Union has the option to change this election on a quarterly basis. As of December 31, 2025 and 2024, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual and required regulatory net worth amounts and ratios as of December 31, 2025 and 2024 are as follows:

|   | <u>As of December 31, 2025</u> |                               | <u>As of December 31, 2024</u> |                               |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|   | <u>Amount</u>                  | <u>Ratio/<br/>Requirement</u> | <u>Amount</u>                  | <u>Ratio/<br/>Requirement</u> |
| Actual regulatory net worth and CCULR                         | \$ 129,083,453                 | 9.67%                         | \$ 130,279,778                 | 9.00%                         |
| Amount needed to be classified<br>as "well capitalized"       | \$ 93,448,308                  | 7.00%                         | \$ 101,339,078                 | 7.00%                         |
| Amount needed to be classified<br>as "adequately capitalized" | \$ 80,098,550                  | 6.00%                         | \$ 86,862,067                  | 6.00%                         |

To calculate the net worth ratio as of December 31, 2025 and 2024, the Credit Union used the quarter-end option, as permitted by regulation, in performing its calculation of total assets. The net worth ratio as of December 31, 2024 is calculated using the NCUA regulatory capital rule that allows a three-year transition period related to the adoption of CECL on January 1, 2023. As of December 31, 2024, undivided earnings and total assets were increased \$3,720,426 (33%) of the CECL transition provision, as required by regulation.

### Note 10 – Fair Value Measurement

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below:

# FARMERS INSURANCE FEDERAL CREDIT UNION

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2025 AND 2024

### Basis of Fair Value Measurements

Level 1 – Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Valuation is based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques.

### Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized as follows:

|                            | <b>Assets at Fair Value as of December 31, 2025</b> |            |         |            |
|----------------------------|---|------------|---------|------------|
|                            | Level 1   | Level 2    | Level 3 | Total      |
| Available-for-sale debt    |   |            |         |            |
| Mortgage-backed securities | \$ -  | \$ 196,119 | \$ -    | \$ 196,119 |
|                            | <b>Assets at Fair Value as of December 31, 2024</b> |            |         |            |
|                            | Level 1   | Level 2    | Level 3 | Total      |
| Available-for-sale debt    |   |            |         |            |
| Mortgage-backed securities | \$ -  | \$ 228,896 | \$ -    | \$ 228,896 |