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AGRIBANK DISTRICT 2022 FINANCIAL INFORMATION
Unaudited
AGRIBANK, FCB and DISTRICT ASSOCIATIONS

AgriBank
FARM CREDIT BANK

AgriBank District Financial Information
AgriBank, FCB and District Associations
unaudited

INTRODUCTION AND DISTRICT OVERVIEW

AgriBank, FCB (AgriBank or the Bank) and District Associations (Associations) are part of the Farm Credit System (System or Farm Credit), a federally chartered network of borrower-owned lending institutions composed of cooperatives and related service organizations. The System provides loans, leases and financial services to farmers, ranchers and rural businesses across the United States and Puerto Rico. This focus on rural communities and agriculture is the reason Farm Credit was established in 1916, and the System has been delivering on that mission ever since – helping fund America's food, fuel and fiber and supporting the rural communities America's farmers and ranchers call home.

Farm Credit’s funds are raised by the Federal Farm Credit Banks Funding Corporation (the Funding Corporation) and insured by the Farm Credit System Insurance Corporation (FCSIC, or the Insurance Corporation). The Funding Corporation issues a variety of Federal Farm Credit Banks Combined Systemwide Debt Securities with broad ranges of maturities and structures on behalf of the four System Banks. Each System Bank has exposure to Systemwide credit risk, because each Bank is joint and severally liable for all Systemwide debt issued. Farm Credit Associations receive funding through one of the System Banks. System entities have specific lending authorities within their chartered territories and are subject to examination and regulation by an independent federal agency, the Farm Credit Administration (FCA).

AgriBank is primarily owned by local Farm Credit Associations, which provide financial products and services to rural communities and agriculture. AgriBank obtains funds and provides funding and financial solutions to those Associations. AgriBank and those Associations are collectively referred to as the District. The AgriBank District covers a 15-state area stretching from Wyoming to Ohio and Minnesota to Arkansas.

The following commentary reviews the combined financial condition and results of operations of AgriBank and District Associations and provides additional specific information.

Combined Financial Highlights

AgriBank, FCB and District Associations

(dollars in thousands)

As of December 31,	**2022**	2021	2020
Total loans	**$152,142,301**	$140,458,534	$127,525,576
Allowance for loan losses	**320,963**	372,359	511,139
Net loans	**151,821,338**	140,086,175	127,014,437
Total assets	**179,360,653**	164,442,280	151,141,745
Total shareholders' equity	**28,078,287**	27,327,290	25,802,440

For the year ended December 31,	**2022**	2021	2020
Net interest income	**$3,972,157**	$3,596,644	$3,434,482
Provision for credit losses	**(56,931)**	(121,203)	40,835
Net fee income	**103,207**	125,166	123,106
Net income	**2,638,046**	2,501,558	2,262,461
Net interest margin	**2.4 %**	2.4 %	2.4 %
Return on average assets	**1.6 %**	1.6 %	1.6 %
Return on average shareholders' equity	**9.5 %**	9.3 %	8.9 %
Operating and other expenses as a percentage of net interest income and non-interest income	**40.7 %**	39.6 %	38.4 %
Net loan recoveries (charge-offs) as a percentage of average loans	**0.01 %**	(0.01)%	(0.04)%
Average loans	**$144,608,034**	$131,686,216	$120,562,643
Average earning assets	**166,859,193**	152,779,015	140,523,800
Average assets	**170,047,150**	155,393,293	143,067,593

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Net income was $2.6 billion for the year ended December 31, 2022, an increase of $136.5 million, or 5.5 percent, compared to the same period of the prior year. Net interest income increased as a result of growth in loan volume across the District, primarily processing and marketing loans and real estate mortgage loans. Agricultural producers continue to perform well, resulting in reversals of provision for credit losses in the current year. The reversals of provision for credit losses contributed to District income; however, the impact to income was only about half as much when compared to the same period of the prior year. Non-interest income increased moderately when compared to the same period of the prior year, primarily as a result of increased mineral income and increased financially related services income. The increase in non-interest expense was primarily due to salaries and benefits expense and higher FCSIC insurance premiums.

Strong operating results allowed District Associations to issue cash patronage distributions of $1.0 billion during the year ended December 31, 2022.

Net Interest Income
Net interest income increased $375.5 million, or 10.4 percent, compared to the same period of the prior year, due to increased loan volume across the District.

Overall, interest rate spreads across the District loan portfolio have decreased compared to the same period of the prior year. With interest rates and callable debt spreads rising rapidly throughout 2022, opportunities to call and refinance debt has declined and conversions within the loan portfolio have also diminished. Competitive market pressures in a rising interest rate environment have compressed interest rate spreads, especially in the three- to five-year term structures.

The rising interest rate environment has positively impacted investment spread. Early in 2022, lower rates and market stability produced few attractive opportunities for the investment portfolio. In the second and third quarters, investment spreads increased across multiple asset classes coinciding with the bond market selloff and market turmoil caused by rising inflation concerns and deteriorating economic conditions. Through year end, market opportunities and increased holdings in money market securities with favorable spreads have led to a year-over-year improvement in investment spread income.

Net interest margin was 2.4 percent for the year ended December 31, 2022, steady when compared to the same period of the prior year. The favorable impact of equity financing has more than offset the decline in spreads.

Provision for Credit Losses
There was $56.9 million of reversal of provision for credit losses recognized during the year ended December 31, 2022. Any reserves for unfunded commitments and letters of credit are recorded in “Other liabilities” on the Combined Balance Sheets.

At the agricultural producer level, net farm income has remained strong and positive working capital positions continue to support high District credit quality. Favorable commodity prices extended through 2022, and have had a generally positive impact on the crop, dairy and some livestock sectors, primarily hogs and poultry. District Associations saw only minor credit deterioration related to certain borrowers in their capital markets portfolios. The allowance analyses performed at District Associations generally reflect the improved positions for large portions of the respective portfolios. The year-over-year fluctuations for the District’s provision for credit losses will be impacted by each institution’s relative exposure to agricultural sectors and the economic conditions in individual agricultural sectors.

The performance of the broader economy, shifting global trade patterns, political instability abroad, and disruptive weather both domestically and internationally could create volatility in the agriculture sector. Each of these factors could translate into changes in credit quality, which may impact provision for credit losses across the District.

Non-interest Income
Non-interest income increased primarily due to increased mineral income due to higher oil prices. Also contributing was increased financially related services income driven by higher commodity prices and market volatility which drove increased premiums resulting in higher commission income. Offsetting some of the increase were decreases in prepayment and refinancing activity, a result of the rising interest rate environment.

Non-interest Expense
Non-interest expense increased compared to the same period of the prior year. This was due to increased salaries and benefits expense, a result of increased headcount across District Associations and annual merit increases that went into effect early in the year. Additionally, the Farm Credit System Insurance Corporation increased premium rates for all Farm Credit institutions from 16 basis points, in 2021, to 20 basis points, in 2022, contributing to the increase in expense when compared to the same period of the prior year.

Loan Portfolio

District Loans by Loan Type

(in thousands)

December 31,	2022	2021	2020
Real estate mortgage	**$81,922,794**	$78,221,408	$70,247,053
Production and intermediate-term	**32,877,711**	31,324,281	28,934,855
Agribusiness:			
Loans to cooperatives	**1,660,824**	1,511,502	1,550,794
Processing and marketing	**20,255,157**	16,333,188	14,770,664
Farm-related businesses	**2,126,236**	1,719,434	1,612,022
Rural infrastructure:			
Power	**2,867,872**	1,879,594	1,400,110
Communications	**3,347,274**	2,757,668	2,587,392
Water/Wastewater	**464,091**	342,509	234,874
Rural residential real estate	**2,635,874**	2,691,710	2,600,041
Agricultural export finance	**485,230**	345,763	384,186
Lease receivables	**296,771**	234,992	199,426
Loans to other financing institutions	**749,969**	703,471	610,952
Mission related investments	**2,452,498**	2,393,014	2,393,207
Total	**$152,142,301**	$140,458,534	$127,525,576

District loans increased $11.7 billion, or 8.3 percent, from December 31, 2021. The increase in total loans was primarily due to increased agribusiness volume. Strong demand in the capital markets segment from increases in grain prices, related margin calls, and increased input costs have caused higher draws on operating lines for processing and marketing customers early in 2022. Growth remained elevated in this segment through the end of the year; however, higher input costs in the livestock sectors of agribusiness and the general economic headwinds have reduced incentive for borrowers to expand which, in turn, has limited portfolio growth at some Associations.

Increases in the real estate mortgage sector were due to continued demand for lower fixed rates early in 2022; while growth has continued through 2022, the growth rate has been considerably lower when compared to the prior year. The sharp increase in rates throughout 2022 and competitive pressure have and are expected to continue to stifle the growth in this portfolio. While portfolio growth endured at many District Associations in the second half of 2022, certain Associations have observed increased repayment activity driven by high commodity prices, primarily grains, leading to strong earnings by borrowers.

The increases in total loans was somewhat aided by increases in the production and intermediate-term sector across the District. The loan portfolios exhibit some seasonality relating to the patterns of operating loans made to crop producers. Operating loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs. Additionally, operating loan balances tend to spike at the end of the calendar year as producers purchase inputs for the upcoming crop year, followed by sharp repayments in January. The decreases in the first half of the year were attributable to the normal paydowns from the sale of the previous year’s crop, which was increased due to strong grain prices. Higher grain prices increased the repayments of many operating loans from the strong borrower cash flow across District Associations. Inflationary pressures created an environment which takes more cash to operate resulting in increased operating loans. Lastly, while the the growth rate increase in operating loans for the fourth quarter was less than the prior year, the seasonal year end growth pattern remained.

Finally, increases in rural infrastructure loans during the year ended December 31, 2022 was due to purchased participations from CoBank. Participation opportunities have increased largely due to strong consumer demand driving activity resulting in opportunities to add volume in both existing and new borrowers to support capital needs. The increase in power loans was due to new opportunities in solar, wind and natural gas systems. Increasing market momentum around environmental investing, particularly renewables, has increased borrowing needs. Growth in communication loans across District Associations has been a result of greater investment in data, digitization and advanced fiber networks for rural build outs.

Portfolio Diversification

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, or within close proximity, which could cause them to be similarly impacted by economic or other conditions. While the amounts represent the maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the District's lending activities is collateralized and, accordingly, the credit risk associated with lending activities is considerably less than the recorded loan principal and is considered in the allowance for loan losses.

While the District has concentrations in crops, these crops primarily represent staple commodities of agriculture – corn, soybeans and wheat. To some extent, there is further concentration in crops related to the investor real estate sector, as these loans are typically made for the purchase of land that is rented for crop production. However, crop production is geographically diversified across the District. While the commodity distribution represents the primary commodity of the borrower, many of the crop producers may also have livestock operations or other forms of diversification, including off-farm income.

Certain District Associations have diversified the concentration in agricultural production loans through rural residential real estate and part-time farmer loans, as well as agribusiness loans. Rural residential real estate, investor real estate and part-time farmer borrowers generally have significant off-farm sources of income, and, therefore, are less subject to cycles in agriculture. These borrowers, as well as agribusiness borrowers, are typically more susceptible to changes in the general economy, and the condition of the general economy will influence the credit quality of these segments of the portfolio. Credit quality in these sectors has remained strong over the past three-year period.

Grain and livestock producers are somewhat subject to a counter-cyclical diversification effect. High grain prices are generally favorable to crop producers; however, livestock producers are adversely affected through higher feed costs. Conversely, low grain prices are generally negative to crop producers, but tend to improve the profitability for those livestock producers who purchase most or all of their feed. Severe fluctuations in commodity prices can negatively impact all District borrowers; however, cash grain prices have contributed to favorable net farm income in 2022 for most producers.

Commodity Concentrations

December 31,	**2022**	2021	2020
Crops	**41 %**	43 %	42 %
Investor and rural residential real estate	**9 %**	9 %	7 %
Cattle	**8 %**	9 %	9 %
Food products	**8 %**	7 %	7 %
Dairy	**6 %**	6 %	6 %
Other	**28 %**	26 %	29 %
Total	**100 %**	100 %	100 %

Other commodities consist primarily of loans in the pork, timber, rural utilities, poultry, farm supply and grain marketing sectors, none of which represented more than 5 percent of the District loan portfolio.

Geographic Concentrations

December 31,	2022	2021	2020
Iowa	**10 %**	10 %	10 %
Illinois	**10 %**	9 %	9 %
Minnesota	**8 %**	8 %	8 %
Nebraska	**7 %**	7 %	8 %
Indiana	**6 %**	7 %	6 %
Michigan	**6 %**	6 %	6 %
Wisconsin	**5 %**	5 %	6 %
Ohio	**5 %**	5 %	5 %
Other	**43 %**	43 %	42 %
Total	**100 %**	100 %	100 %

Other states consist primarily of loans in South Dakota, Missouri, Tennessee, Arkansas, North Dakota, Kentucky and Wyoming, none of which represented more than 5 percent of the District loan portfolio.

Loan Quality

The primary credit quality indicator utilized by the Bank and Associations is the FCA Uniform Loan Classification System, which categorizes loans into five categories. The categories are defined as follows:

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

The following table shows loans and related accrued interest classified under the Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable.

District Loan Quality

December 31,	2022	2021	2020
Acceptable	**97.0 %**	95.0 %	92.2 %
Special Mention	**1.4 %**	2.7 %	4.3 %
Substandard/Doubtful	**1.6 %**	2.3 %	3.5 %
Total	**100.0 %**	100.0 %	100.0 %

Credit quality, net farm income and farm sector working capital has remained strong throughout 2022, driven by favorable commodity prices in certain sectors. The District has also maintained disciplined origination standards supporting high quality loans. Substandard/Doubtful loans, collectively called adverse loans, are loans AgriBank and District Associations have identified as showing some credit weakness according to established credit standards. No loans were categorized as loss as of December 31, 2022 or December 31, 2021.

Nonperforming Assets

(in thousands)

December 31,	2022	2021	2020
Nonaccrual Loans:			
Real estate mortgage	**$201,871**	$315,136	$441,529
Production and intermediate-term	**100,818**	131,580	206,185
Agribusiness	**94,060**	35,037	17,042
Rural infrastructure	**4,455**	5,681	—
Rural residential real estate	**10,859**	13,954	22,178
Other	**1,228**	1,544	1,372
Total nonaccrual loans	**$413,291**	$502,932	$688,306
Accruing Restructured Loans:			
Real estate mortgage	**$49,858**	$48,808	$52,435
Production and intermediate-term	**15,057**	14,294	16,500
Agribusiness	**10,012**	1,713	1,832
Rural residential real estate	**1,665**	1,897	1,650
Total accruing restructured loans	**$76,592**	$66,712	$72,417
Accruing Loans 90 Days or More Past Due:			
Real estate mortgage	**$625**	$1,648	$4,600
Production and intermediate-term	**1,990**	2,531	3,461
Rural residential real estate	**79**	—	86
Other	**145,826**	83,909	45,629
Total accruing loans 90 days or more past due	**$148,520**	$88,088	$53,776
Total nonperforming loans	**$638,403**	$657,732	$814,499
Other property owned	**2,578**	22,769	17,071
Total nonperforming assets	**$640,981**	$680,501	$831,570

Note: Accruing loans include accrued interest receivable.

The Other category is composed of certain assets originated under the Mission Related Investment authority and finance leases.

Overall, nonperforming assets have decreased primarily due to the decline in nonaccrual loans, partially offset by the increase in accruing loans 90 days or more past due.

Nonaccrual loans decreased at December 31, 2022 when compared to the prior year due to repayments of large nonaccrual loans and, to a lesser extent, the restoration of a number of smaller loans to accrual status throughout 2022. In general, loan performance has been positively impacted by working capital and commodity prices. The overall decrease was somewhat offset by one large borrower within the agribusiness sector moving to nonaccrual status which is broadly participated across the District.

Accruing loans 90 days or more past due increased primarily due to one large loan held by two District Associations, included in the other category. All of the loans within the other category, which were accruing loans 90 days or more past due as of December 31, 2022, were 100 percent secured by Federal Government guarantees. While past-due volume may be periodically elevated, these loans are well secured and in the process of collection, including security provided by the guarantees.

Aging Analysis of Loans

(in thousands) **As of December 31, 2022**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	**$129,765**	**$34,505**	**$164,270**	**$82,673,321**	**$82,837,591**
Production and intermediate-term	**108,572**	**28,763**	**137,335**	**33,203,528**	**33,340,863**
Agribusiness	**49,953**	**1,863**	**51,816**	**24,120,531**	**24,172,347**
Rural infrastructure	**—**	**—**	**—**	**6,697,686**	**6,697,686**
Rural residential real estate	**11,095**	**2,870**	**13,965**	**2,632,286**	**2,646,251**
Other	**126,395**	**146,669**	**273,064**	**3,747,102**	**4,020,166**
Total	**$425,780**	**$214,670**	**$640,450**	**$153,074,454**	**$153,714,904**

As of December 31, 2021	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	$131,944	$56,108	$188,052	$78,818,252	$79,006,304
Production and intermediate-term	82,740	42,576	125,316	31,527,220	31,652,536
Agribusiness	4,282	2,105	6,387	19,623,111	19,629,498
Rural infrastructure	—	—	—	4,987,654	4,987,654
Rural residential real estate	10,277	3,159	13,436	2,688,549	2,701,985
Other	178,405	85,305	263,710	3,439,870	3,703,580
Total	$407,648	$189,253	$596,901	$141,084,656	$141,681,557

As of December 31, 2020	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total
Real estate mortgage	$131,104	$121,211	$252,315	$70,759,463	$71,011,778
Production and intermediate-term	111,129	92,167	203,296	29,090,056	29,293,352
Agribusiness	2,007	9,095	11,102	17,985,698	17,996,800
Rural infrastructure	—	—	—	4,227,467	4,227,467
Rural residential real estate	10,037	5,832	15,869	2,597,320	2,613,189
Other	132,205	46,765	178,970	3,437,105	3,616,075
Total	$386,482	$275,070	$661,552	$128,097,109	$128,758,661

Note: Accruing loans include accrued interest receivable.

The Other category is composed of certain assets originated under the Mission Related Investment authority, loans to other financing institutions, agricultural export finance and finance leases.

Overall, delinquencies at December 31, 2022 increased, but were stable as a percentage of the total portfolio, when compared to the year ended 2021 as a result of strong credit quality across the District.

Changes in Allowance for Loan Losses and Year End Recorded Investments by Loan Type

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Allowance for loan losses:							
As of December 31, 2021	**$140,904**	**$123,613**	**$90,460**	**$9,551**	**$4,194**	**$3,637**	**$372,359**
Provision for credit losses	**(53,508)**	**(39,481)**	**32,666**	**4,889**	**(825)**	**(672)**	**(56,931)**
Loan recoveries	**1,366**	**16,827**	**165**	**188**	**192**	**—**	**18,738**
Loan charge-offs	**(2,107)**	**(6,655)**	**(100)**	**—**	**(340)**	**—**	**(9,202)**
Adjustment due to merger	**(285)**	**(1,821)**	**(1,369)**	**(444)**	**—**	**(3)**	**(3,922)**
Reclassification (to) from reserve for unfunded commitments*	**—**	**(79)**	**—**	**—**	**—**	**—**	**(79)**
Balance as of December 31, 2022	**$86,370**	**$92,404**	**$121,822**	**$14,184**	**$3,221**	**$2,962**	**$320,963**
As of December 31, 2022							
Ending balance: individually evaluated for impairment	**5,433**	**14,792**	**26,383**	**1,051**	**188**	**688**	**48,535**
Ending balance: collectively evaluated for impairment	**80,937**	**77,612**	**95,439**	**13,133**	**3,033**	**2,274**	**272,428**
Recorded investment in loans outstanding:							
Ending balance as of December 31, 2022	**$82,837,591**	**$33,340,863**	**$24,172,347**	**$6,697,686**	**$2,646,251**	**$4,020,166**	**$153,714,904**
Ending balance: individually evaluated for impairment	**252,354**	**117,865**	**104,072**	**4,455**	**12,603**	**147,054**	**638,403**
Ending balance: collectively evaluated for impairment	**82,585,237**	**33,222,998**	**24,068,275**	**6,693,231**	**2,633,648**	**3,873,112**	**153,076,501**

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Allowance for loan losses:							
As of December 31, 2020	$251,097	$169,467	$71,727	$9,188	$5,953	$3,707	$511,139
Provision for credit losses	(108,625)	(38,570)	26,468	1,233	(1,639)	(70)	(121,203)
Loan recoveries	2,066	12,855	2,763	—	315	—	17,999
Loan charge-offs	(3,634)	(21,284)	(10,498)	(870)	(435)	—	(36,721)
Reclassification (to) from reserve for unfunded commitments*	—	1,145	—	—	—	—	1,145
Balance at December 31, 2021	$140,904	$123,613	$90,460	$9,551	$4,194	$3,637	$372,359
As of December 31, 2021							
Ending balance: individually evaluated for impairment	18,614	18,159	14,521	1,225	193	663	53,375
Ending balance: collectively evaluated for impairment	122,290	105,454	75,939	8,326	4,001	2,974	318,984
Recorded investment in loans outstanding:							
Ending balance as of December 31, 2021	$79,006,304	$31,652,536	$19,629,498	$4,987,654	$2,701,985	$3,703,580	$141,681,557
Ending balance: individually evaluated for impairment	365,592	148,405	36,750	5,681	15,851	85,453	657,732
Ending balance: collectively evaluated for impairment	78,640,712	31,504,131	19,592,748	4,981,973	2,686,134	3,618,127	141,023,825

*Represents reclassifications between the allowance for loan losses and the reserve for unfunded commitments as a result of advances on or repayments of seasonal lines of credit or other loans.

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Allowance for loan losses:							
As of December 31, 2019	$229,972	$173,711	$88,143	$18,091	$6,598	$3,150	$519,665
Provision for credit losses	26,524	21,300	(4,739)	(2,391)	(418)	559	40,835
Loan recoveries	2,335	12,589	582	231	272	—	16,009
Loan charge-offs	(7,734)	(35,540)	(12,259)	(6,743)	(499)	(2)	(62,777)
Adjustment due to merger	—	—	—	—	—	—	—
Reclassification (to) from reserve for unfunded commitments*	—	(2,593)	—	—	—	—	(2,593)
Balance as of December 31, 2020	$251,097	$169,467	$71,727	$9,188	$5,953	$3,707	$511,139
As of December 31, 2020							
Ending balance: individually evaluated for impairment	25,052	31,479	3,583	—	245	383	60,742
Ending balance: collectively evaluated for impairment	226,045	137,988	68,144	9,188	5,708	3,324	450,397
Recorded investment in loans outstanding:							
Ending balance as of December 31, 2020	$71,011,778	$29,293,352	$17,996,800	$4,227,467	$2,613,189	$3,616,075	$128,758,661
Ending balance: individually evaluated for impairment	498,564	226,146	18,874	—	23,914	47,001	814,499
Ending balance: collectively evaluated for impairment	70,513,214	29,067,206	17,977,926	4,227,467	2,589,275	3,569,074	127,944,162

*Represents reclassifications between the allowance for loan losses and the reserve for unfunded commitments as a result of advances on or repayments of seasonal lines of credit or other loans.

Investments

AgriBank is responsible for meeting the District's funding, liquidity and asset/liability management needs. While access to the unsecured debt capital markets remains the District's primary source of liquidity, the Bank also maintains a secondary source of liquidity through a high-quality investment portfolio and other short-term liquid assets.

The Bank typically holds high-quality investments and other short-term liquid assets on an available-for-sale basis. Refer to the AgriBank 2022 Annual Report for additional information about the Bank's investment portfolio. District Associations have regulatory authority to enter into certain guaranteed investments, typically mortgage-backed or asset-backed securities, and are primarily held to maturity. Refer to individual District Associations' 2022 annual reports for specific information about the investments at the District Associations. Investment securities held by AgriBank and District Associations are primarily debt securities that decrease in value as interest rates rise. Throughout 2022, unrealized gains decreased and unrealized losses increased in the investment portfolios as a result of the rise in interest rates.

AgriBank sold certain investments during the year ended December 31, 2022. Refer to the AgriBank 2022 Annual Report for additional information.

Investment Information

(in thousands) **As of December 31, 2022**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
AgriBank investments	**$21,019,681**	**$617**	**$926,375**	**$20,093,923**
District Association investments	**2,840,942**	**1,826**	**203,342**	**2,639,426**
Total District investments	**$23,860,623**	**$2,443**	**$1,129,717**	**$22,733,349**

(in thousands) As of December 31, 2021	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
AgriBank investments	$18,470,968	$28,438	$106,778	$18,392,628
District Association investments	2,021,166	30,394	20,513	2,031,047
Total District investments	$20,492,134	$58,832	$127,291	$20,423,675

(in thousands) As of December 31, 2020	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
AgriBank investments	$18,494,545	$96,378	$5,594	$18,585,329
District Association investments	1,682,457	54,861	6,865	1,730,453
Total District investments	$20,177,002	$151,239	$12,459	$20,315,782

District Capital

AgriBank and District Associations believe a sound capital position is critical to long-term financial stability. AgriBank and District Associations maintain adequate capital to protect against unanticipated losses as well as to meet growth needs. Total shareholders' equity increased $751.0 million, primarily resulting from net income for the year ended December 31, 2022, partially offset by patronage accruals.

Accumulated Other Comprehensive Loss

(in thousands)

December 31,	2022	2021	2020
Investment securities activity	**$(925,758)**	$(78,338)	$90,784
Derivatives and hedging activity	**58,824**	(130,663)	(201,629)
Employee benefit plans activity	**(519,393)**	(433,328)	(491,052)
Total accumulated other comprehensive loss	**$(1,386,327)**	$(642,329)	$(601,897)

The increase in accumulated other comprehensive loss as of December 31, 2022 compared to the year ended December 31, 2021 relates to the unrealized losses on available-for-sale investment securities affected by rising interest rates throughout 2022. The accumulated other comprehensive loss increase was also due to the remeasurement of the AgriBank qualified pension plan driven by losses on plan assets during 2022, partially offset by increased interest rates reducing the present value of the obligation. The losses were slightly offset by derivative and hedging activity. Rising interest rates throughout 2022 have positively impacted AgriBank's pay-fixed swap portfolio designated as cash flow hedges.

The Farm Credit Administration sets minimum regulatory capital requirements for Banks and Associations.

Regulatory Capital Requirements and Ratios

As of December 31, 2022	Primary Components of Numerator	Regulatory Minimums	Minimum with Buffer	Bank	District Associations[5]
Risk adjusted:					
Common equity tier 1 capital ratio (CET1)	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	4.5 %	7.0 %	**16.3 %**	**13.2 % - 18.0 %**
Tier 1 capital ratio	CET1 capital, non-cumulative perpetual preferred stock	6.0 %	8.5 %	**16.9 %**	**14.0 % - 18.0 %**
Total capital ratio	Tier 1 capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4]	8.0 %	10.5 %	**16.9 %**	**14.9 % - 18.1 %**
Permanent capital ratio	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.0 %	7.0 %	**16.9 %**	**14.8 % - 18.0 %**
Non-risk adjusted:					
Tier 1 leverage ratio	Tier 1 capital	4.0 %	5.0 %	**5.2 %**	**14.1 % - 20.5 %**
UREE leverage ratio	URE and URE Equivalents	1.5 %	1.5 %	**2.3 %**	**12.5 % - 20.3 %**

(1) Equities outstanding 7 or more years
(2) Capped at 1.25% of risk-adjusted assets
(3) Outstanding 5 or more years, but less than 7 years
(4) Outstanding 5 or more years
(5) Due to the pending liquidation status and minimal assets remaining at Delta, ACA, capital ratios for the entity have been excluded for this table

Effective January 1, 2022, the FCA regulations slightly modified the calculation of the unallocated retained earnings and equivalents leverage ratio to include certain additional deductions. The modification did not have a material impact on the calculation for any District entity.

Employee Benefit Plans

Eligible employees of AgriBank, District service organizations, and certain District Associations participate in various defined benefit retirement plans. The retirement plans are noncontributory, and the benefits are based on salary and years of service. As of January 1, 2007, District entities froze participation in their defined benefit pension plans and offered defined contribution retirement plans to all employees hired subsequent to the freeze. In addition, most District entities provide certain healthcare and other postretirement benefits to eligible retired employees. Employees may become eligible for healthcare and other postretirement benefits if they reach normal retirement age while working for District entities.

District Retirement Plans

(in thousands)	Pension Benefits		Other
December 31, 2022	Qualified	Non-qualified	Benefits
Projected benefit obligation	**$1,204,130**	**$65,459**	**$15,713**
Fair value of plan assets	**1,116,442**	**—**	**—**
Unfunded status	**(87,688)**	**(65,459)**	**(15,713)**
Accumulated benefit obligation	**$1,083,610**	**$52,357**	**N/A**
Assumptions used to determine benefit obligations:			
Discount rate	**5.2%**	**4.8%**	**5.1% - 5.2%**
Expected long-term rate of return	**6.3%**	**N/A**	**N/A**
Rate of compensation increase[(1)(2)]	**7.2%**	**7.2%**	**N/A**

(in thousands)	Pension Benefits		Other
December 31, 2021	Qualified	Non-qualified	Benefits
Projected benefit obligation	$1,500,238	$68,112	$21,215
Fair value of plan assets	1,453,817	—	—
Unfunded status	(46,421)	(68,112)	(21,215)
Accumulated benefit obligation	$1,384,554	$47,825	N/A
Assumptions used to determine benefit obligations:			
Discount rate	2.9%	2.3%	1.3% - 2.8%
Expected long-term rate of return	4.8%	N/A	N/A
Rate of compensation increase[(1)(2)]	4.6%	4.6%	N/A

(in thousands)	Pension Benefits		Other
December 31, 2020	Qualified	Non-qualified	Benefits
Projected benefit obligation	$1,563,421	$57,557	$23,140
Fair value of plan assets	1,393,781	—	—
Unfunded status	(169,640)	(57,557)	(23,140)
Accumulated benefit obligation	$1,426,270	$42,947	N/A
Assumptions used to determine benefit obligations:			
Discount rate	2.5%	1.6%	0.7% - 2.5%
Expected long-term rate of return	4.8%	N/A	N/A
Rate of compensation increase	4.6%	4.6%	N/A

(1) The rate of compensation increase for the pension benefits utilizes to an age-based scale beginning at 7.50%, decreasing ultimately to 4.00%

(2) The AgriBank District Pension Restoration Plan (non-qualified) generally follows the same rate of compensation increase assumption as the AgriBank District Retirement Plan unless an alternative assumption is deemed necessary for an individual participating entity. Alternative assumption elections were not material to the District combined non-qualified plan.

Other Matters

AgriBank's approval is required for significant structure changes at District Associations, including, but not limited to: merger, acquisition, liquidation or reaffiliation to another Farm Credit District.

On June 24, 2022, the boards of directors of Farm Credit Midsouth, ACA and Farm Credit Mid-America, ACA executed a letter of intent to merge the two Associations. The merged Association would be named Farm Credit Mid-America, ACA and headquartered in Louisville, Kentucky. Both Associations completed due diligence to assess merger benefits. The boards of both Associations and AgriBank approved the merger, and it was submitted to the Farm Credit Administration on September 22, 2022, for review. The Farm Credit Administration granted preliminary approval on December 15, 2022. On February 16, 2023, the customer/owners voted to approve the merger. The merger is awaiting final approval from the Farm Credit Administration, with a target effective date of April 1, 2023.

Effective January 1, 2022, two District Associations, AgCountry Farm Credit Services, ACA and Farm Credit Services of North Dakota, ACA merged and are doing business as AgCountry Farm Credit Services, ACA with headquarters in Fargo, N.D.

In 2021, Delta, ACA's (Delta's) board of directors determined that it was in the best interests of Delta to voluntarily dissolve and approved a preliminary resolution to proceed with a plan to voluntarily liquidate and dissolve the Association (the Plan). On March 17, 2022, the FCA preliminarily approved the Plan. On April 14, 2022, Delta's stockholders approved the Plan, which includes an agreement to sell the loan portfolio to another District Association. Subsequently, on April 19, 2022, the FCA provided final approval of the Plan. The sale of Delta's entire loan portfolio to AgHeritage Farm Credit Services, ACA occurred on May 1, 2022. All Delta employees were terminated effective May 31, 2022. The remaining assets are under the control of a liquidation agent, and the ultimate timing of the final liquidation is uncertain and subject to multiple considerations.

Select Information on AgriBank District Associations

(in thousands)

As of December 31, 2022	Wholesale Loan Amount	% of Wholesale Portfolio	Total Assets	Total Allowance and Capital	Total [3] Regulatory Capital Ratio	Nonperforming [1] as a % of Total Loans	Return on [3] Assets
Farm Credit Services of America	**$32,580,841**	**27.5%**	**$40,419,978**	**$7,124,776**	**15.0%**	**0.4%**	**2.0%**
Farm Credit Mid-America	**26,015,258**	**21.9%**	**32,158,514**	**5,659,091**	**16.6%**	**0.8%**	**1.5%**
Compeer Financial	**24,149,070**	**20.4%**	**29,673,309**	**4,744,413**	**14.9%**	**0.4%**	**1.9%**
GreenStone Farm Credit Services	**10,678,542**	**9.0%**	**13,203,981**	**2,300,863**	**15.4%**	**0.3%**	**2.3%**
AgCountry Farm Credit Services[2]	**9,525,137**	**8.0%**	**12,239,535**	**2,527,506**	**16.8%**	**0.3%**	**1.8%**
FCS Financial	**5,062,214**	**4.3%**	**6,281,256**	**1,128,387**	**15.7%**	**0.3%**	**1.9%**
Farm Credit Illinois	**4,538,616**	**3.8%**	**5,788,981**	**1,165,978**	**17.7%**	**0.1%**	**1.8%**
AgHeritage Farm Credit Services	**1,745,144**	**1.5%**	**2,199,511**	**433,664**	**16.0%**	**0.3%**	**2.0%**
Farm Credit Services of Western Arkansas	**1,457,353**	**1.2%**	**1,870,458**	**366,539**	**18.0%**	**0.8%**	**1.6%**
Farm Credit Services of Mandan	**1,216,745**	**1.0%**	**1,581,322**	**341,376**	**18.0%**	**0.3%**	**1.8%**
Farm Credit Midsouth	**954,489**	**0.8%**	**1,243,300**	**271,113**	**18.1%**	**0.0%**	**1.6%**
Farm Credit Southeast Missouri	**736,861**	**0.6%**	**950,941**	**196,926**	**18.1%**	**0.3%**	**2.1%**
Delta Agricultural Credit Association	**—**	**—%**	**7,165**	**7,162**	**NM**	**—%**	**NM**
Total	**$118,660,270**	**100.0%**	**$147,618,251**	**$26,267,794**			

[1] Nonperforming loans are comprised of nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due.

[2] Loan amounts do not include fair value adjustments due to merger.

[3] Not meaningful; due to the pending liquidation status and minimal assets remaining at Delta, ACA, certain ratios for the entity have been excluded for this table.

Combined Balance Sheets

AgriBank, FCB and District Associations

(unaudited)

(in thousands)

December 31,	**2022**	2021	2020
Assets			
Cash	**$1,453,504**	$1,376,581	$693,784
Federal funds and securities purchased under resale agreements	**—**	—	639,700
Investments	**22,934,865**	20,413,794	20,267,786
Loans	**152,142,301**	140,458,534	127,525,576
Allowance for loan losses	**320,963**	372,359	511,139
Net loans	**151,821,338**	140,086,175	127,014,437
Accrued interest receivable	**1,645,338**	1,271,385	1,276,783
Premises and equipment, net	**727,362**	702,637	672,210
Other assets	**778,246**	591,708	577,045
Total assets	**$179,360,653**	$164,442,280	$151,141,745
Liabilities			
Bonds and notes	**$145,035,837**	$132,665,518	$121,499,542
Subordinated notes	**200,000**	200,000	—
Member investment bonds	**3,193,161**	2,037,089	1,530,022
Accrued interest payable	**644,677**	261,016	273,685
Patronage distribution payable	**1,128,598**	1,043,699	1,034,558
Other liabilities	**1,080,093**	907,668	1,001,498
Total liabilities	**151,282,366**	137,114,990	125,339,305
Shareholders' equity			
Preferred stock	**450,000**	450,000	350,000
Capital stock and participation certificates	**380,375**	362,995	344,536
Capital stock and participation certificates receivable	**(132,504)**	(118,179)	(113,357)
Additional paid-in capital	**2,443,241**	2,084,988	2,084,988
Allocated retained earnings	**215,380**	269,317	322,664
Unallocated retained earnings	**25,972,986**	24,802,092	23,326,757
Accumulated other comprehensive loss	**(1,386,327)**	(642,329)	(601,897)
Noncontrolling interest	**135,136**	118,406	88,749
Total shareholders' equity	**28,078,287**	27,327,290	25,802,440
Total liabilities and shareholders' equity	**$179,360,653**	$164,442,280	$151,141,745

Combined Statements of Income

AgriBank, FCB and District Associations

(unaudited)

(in thousands)

For the year ended December 31,	**2022**	2021	2020
Interest Income			
Loans	**$5,881,075**	$4,650,752	$4,796,526
Investment securities and other earning assets	**353,444**	147,504	251,787
Total interest income	**6,234,519**	4,798,256	5,048,313
Interest Expense	**2,262,362**	1,201,612	1,613,831
Net interest income	**3,972,157**	3,596,644	3,434,482
Provision for credit losses	**(56,931)**	(121,203)	40,835
Net interest income after provision for credit losses	**4,029,088**	3,717,847	3,393,647
Non-interest income			
Net fee income	**103,207**	125,166	123,106
Financially related services income	**229,863**	201,703	176,887
Net (losses) gains on sales of investments and other assets	**(3,275)**	2,164	4,427
Mineral income	**89,636**	54,487	33,993
Allocated Insurance Reserve Accounts	**—**	—	24,188
Other income	**43,265**	46,224	5,170
Total non-interest income	**462,696**	429,744	367,771
Non-interest expense			
Salaries and employee benefits	**966,694**	885,591	842,280
Occupancy and equipment	**167,084**	156,951	137,395
Purchased services	**124,203**	112,678	98,823
Farm Credit System Insurance Corporation expense	**244,068**	176,894	99,368
Other expense	**301,700**	261,111	281,584
Total non-interest expense	**1,803,749**	1,593,225	1,459,450
Income before income taxes	**2,688,035**	2,554,366	2,301,968
Provision for income taxes	**49,989**	52,808	39,507
Net income	**$2,638,046**	$2,501,558	$2,262,461

District Associations

Farm Credit Associations in the AgriBank District provide farmers, ranchers and other rural borrowers in their local communities with the capital they need to make their businesses successful.

AgriBank supports the following Farm Credit Associations that serve rural communities and agriculture in the 15 states of the AgriBank District. Under our cooperative structure, the farmers, ranchers and agribusinesses Farm Credit serves own these District Associations, which in turn are the primary customers and owners of AgriBank.

AgCountry Farm Credit Services, ACA
1900 44th St. S., #6020
Fargo, ND 58108
(701) 282-9494
www.agcountry.com

AgHeritage Farm Credit Services, ACA
119 E. Third St., Suite 200
Little Rock, AR 72201
(800) 299-2290
www.agheritagefcs.com

Compeer Financial, ACA
2600 Jenny Wren Trail
Sun Prairie, WI 53590
(844) 426-6733
www.compeer.com

FCS Financial, ACA
1934 E. Miller St.
Jefferson City, MO 65101
(573) 635-7956
www.myfcsfinancial.com

Farm Credit Illinois, ACA
1100 Farm Credit Drive
Mahomet, IL 61853
(217) 590-2200
www.farmcreditil.com

Farm Credit Mid-America, ACA
12501 Lakefront Place
Louisville, KY 40299
(502) 420-3700
www.e-farmcredit.com

Farm Credit Midsouth, ACA
3000 Prosperity Drive
Jonesboro, AR 72404
(870) 932-2288
www.farmcreditmidsouth.com

Farm Credit Services of America, ACA
5015 S. 118th St.
Omaha, NE 68137
(402) 348-3333
www.fcsamerica.com

Farm Credit Services of Mandan, ACA
1600 Old Red Trail
Mandan, ND 58554
(701) 663-6487
www.farmcreditmandan.com

Farm Credit Services of Western Arkansas, ACA
3115 W. 2nd Court
Russellville, AR 72801
(479) 968-1434
www.myaglender.com

Farm Credit Southeast Missouri, ACA
1116 N. Main St.
Sikeston, MO 63801
(573) 471-0342
www.farmcreditsemo.com

GreenStone Farm Credit Services, ACA
3515 West Road
East Lansing, MI 48823
(800) 968-0061
www.greenstonefcs.com