Your Funding Bank

People. Partnerships. Solutions.

AGRIBANK 2023 QUARTERLY REPORT
MARCH 31, 2023

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Management's Discussion and Analysis

AgriBank, FCB

(Unaudited)

The following commentary is a review of the financial condition and results of operations of AgriBank, FCB (AgriBank, or the Bank). This information should be read in conjunction with the accompanying Financial Statements, the Notes to the Financial Statements and the 2022 Annual Report.

AgriBank is part of the customer-owned, nationwide Farm Credit System. Under Farm Credit's cooperative structure, AgriBank is primarily owned by 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 comprise the AgriBank District. The AgriBank District covers a 15-state area stretching from Wyoming to Ohio and Minnesota to Arkansas.

Forward-Looking Information

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2022 Annual Report. AgriBank undertakes no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Financial Overview

Net income remained strong as our year-to-date return on assets (ROA) ratio of 54 basis points was above our target of 50 basis points. Net interest income increased compared to the prior year primarily due to an increase in the average daily balance of our loan portfolio as well as increased rates on investment securities as a result of widening credit spreads.

Loan portfolio credit quality remained strong with 99.6 percent of our total loan portfolio in the acceptable category, which reflects the overall financial strength of District Associations and their underlying portfolios of retail loans. Credit quality of our retail loan portfolio (accounting for approximately 10 percent of our total loan portfolio) increased to 96.4 percent acceptable as of March 31, 2023, compared to 95.8 percent acceptable at December 31, 2022. See the Loan Portfolio section for additional discussion about how other factors may impact our loan portfolio performance.

Strong capital levels ensure we are well-positioned to manage the cyclical characteristics of the agricultural market, as well as the challenges and uncertainty of the overall economic environment. Refer to the Loan Portfolio and Funding, Liquidity and Shareholders' Equity sections for further discussion.

Economic Conditions

Interest Rate Environment

Economic activity is facing headwinds due to tightening of financial conditions. U.S. gross domestic product is forecasted to grow by approximately 1.0 percent in 2023. The unemployment rate remains below 4.0 percent and is expected to remain low with the current high number of job openings. Consumer price inflation has been elevated due to imbalances between supply and demand. The monthly inflation rate has shown signs of improvement, but inflation is still running well above the Federal Reserve's 2.0 percent target on an annualized basis.

Due to the high price inflation rate, the Federal Open Market Committee (FOMC) has tightened monetary policy and further raised the federal funds rate to a target range of 5.00 to 5.25 percent at its May 2023 meeting. The FOMC projects that it will maintain the fed funds target rate near the current level through the end of 2023. As of the beginning of May 2023, the fed funds futures market suggests the FOMC will gradually lower the fed funds rate in the second half of 2023.

With the high rate of price inflation and monetary tightening by the FOMC, U.S. Treasury yields moved much higher in 2022. U.S. Treasury yields have subsequently moved lower in the first quarter of 2023 due to the stresses in financial markets related to the failure of a small number of large U.S. regional banks. The U.S. Treasury yield curve remains inverted with short term bond yields above longer term bond yields. Economists expect the U.S. Treasury bond yield curve to remain inverted as the FOMC maintains the fed funds target rate above longer term U.S. Treasury yields in 2023.

We manage interest rate risk consistent with policies established by the board of directors and limits established by AgriBank's Asset/Liability Committee (ALCO). While many factors can impact our net interest income, management expects that financial performance will remain relatively consistent under most interest rate environments over the next 12 months (refer to the Interest Rate Risk Management section).

Agricultural Conditions

On February 7, 2023, the U.S. Department of Agriculture's Economic Research Service (USDA-ERS) released its initial forecast of the U.S. aggregate farm income and financial conditions for 2023 and updated its 2022 forecast. The revised 2022 net farm income (NFI) forecast of $162.7 billion represented a $21.8 billion nominal increase from 2021, up 15.5 percent, with income increasing for the third consecutive year. When adjusting for inflation, the 2022 NFI forecast would be at the highest level since 1973. The initial 2023 NFI projection of $136.9 billion would represent a nominal decline of $25.8 billion, or 15.9 percent, from the revised 2022 NFI forecast. While the initial NFI projection for 2023 is down substantially from 2022, if realized, that income level would still surpass the 20-year average estimated real net farm income level by $28.7 billion or 26.6 percent and would mark the fifth highest level since the 1970s in real terms.

The declining 2023 NFI forecast is largely driven by an expected $23.5 billion nominal decline, or 4.3 percent, in cash receipts, a $5.4 billion drop, or 34.6 percent, in direct government payments combined with an $18.2 billion increase, or 4.1 percent, in production expenses compared to 2022. Those factors are expected to be partially offset by an $18.7 billion downward adjustment to inventories and a $3.2 billion increase in cash farm-related income. USDA-ERS forecasts a slight deterioration in the farm sector balance sheet as total sector debt increases at a slightly higher pace than the increase in assets, resulting in a small increase in the debt-to-asset ratio for the first time since 2020. At 13.2 percent, the 2023 farm sector debt-to-asset ratio would be slightly above the estimated 20-year average, but well below the all-time highs of over 20 percent in the mid-1980s.

Agricultural commodity price moves were generally mixed to lower throughout the first quarter of 2023. Severe drought in Argentina, Black Sea export uncertainties and relatively tight U.S. grain and soybean inventory levels provided underlying support to crop markets, while higher Brazilian and U.S. crop production prospects and increasing global recession concerns have been negative for the crop markets and future price expectations. The March 2023 USDA planting intention survey indicated producers intend to plant more corn acres in 2023 and steady soybean acreage. The planting projections along with assumed recovery in yields following the drought in 2022 are expected to ease crop supply tightness and reduce crop prices into 2024, but actual production levels will be dictated by weather. Lower fertilizer and diesel prices should provide many growers partial relief from rising expenses, and high spring reference prices for crop insurance will provide another year of solid crop insurance revenue guarantees for producers that experience production issues or in the event of significant crop price declines before harvest.

The cattle industry is the outlier among agricultural commodity markets in early 2023 in terms of price movement. Consecutive years of beef herd contraction combined with solid domestic demand have supported fed cattle prices climbing to new record highs in April 2023 and prices are expected to remain high into 2024. Other segments within the animal protein sector have faced challenges in early 2023 as production levels have increased, while feed costs remain historically high. Hog processing rates surpassed prior year levels in early 2023 and upward revisions to the USDA hog herd size estimates have weighed on the hog prices and returns throughout the pork sector supply chain. Growth in chicken production the second half of 2022 and in early 2023 have been negative for broiler prices and integrator returns, but the prevalence of contract grower agreements in the broiler sector limits the impact of the lower prices on many chicken farms. Falling international dairy product prices and high hay prices have been negative for U.S. dairy margins, but currently higher milk price futures covering the second half of 2023 and expectations for falling feed prices should support dairy farm margin improvement during the second half of 2023.

Despite the high input cost environment for crop producers and high feed costs for the animal protein sector, the U.S. agriculture sector remains well positioned in 2023. The farm sector balance sheet remains strong, and while farm sector working capital is expected to deteriorate in 2023, many producers' working capital positions should remain favorable. Many factors, including weather, trade, government and monetary policy, global agricultural production levels, and pathogenic outbreaks in livestock and poultry, may keep agriculture market volatility elevated for the next few years. Implementation of cost-saving technologies, marketing methods and risk management strategies will continue to cause a wide range of results among the respective agricultural producers.

Land Values

The AgriBank District continues to monitor agricultural land values. We conduct an annual Benchmark Survey, completed by licensed real estate appraisers, on representative benchmark farms in 34 regions of the District. The District's most recent real estate market value survey, based on the 12-month period ending June 30, 2022, indicated that District real estate value changes in the regions ranged from a 5.8 percent to 40.8 percent annual increase. There continues to be ample demand from farmers and ranchers, as well as interest from investors, providing support for land prices. Land values in the District may experience additional, albeit more modest, increases over the next year due to strong net farm income, real estate demand outpacing land available for sale, and stock market volatility. However, higher interest rates may dampen demand for land purchases, which could negatively impact farmland values.

The Federal Reserve Banks of Chicago, Kansas City and Minneapolis reported on the change in farmland values from the end of the fourth quarter 2021 to the end of the fourth quarter 2022 in their respective districts. The Federal Reserve district reports indicated annual regional increases in non-irrigated farmland values ranging from 9.4 to 17.6 percent.

The USDA land value survey, which is conducted annually using June values and published in August of each year, is based on a survey of agricultural producers across the United States. Results of the 2022 survey showed increases of 13.0 percent for overall farm real estate values and 14.2 percent for cropland values specific to the AgriBank District.

AgriBank District credit risk policies focus on loan repayment capacity in addition to conservative loan-to-value levels on the collateral that secures loans. Although Farm Credit Administration (FCA) regulations allow real estate mortgage loans of up to 85 percent of appraised value, most District Associations generally limit lending to 65 percent or less at origination. While underwriting exceptions on loan-to-appraised-value are sometimes granted, in such cases loans are typically structured with shorter amortization schedules and/or additional principal payments in the early years to reduce risk. With increased land values across the District, Associations continue to incorporate credit underwriting factors such as sustainable repayment capacity and lending caps per acre based on land's long-term income-producing capacity. These proactive lending practices reduce the impact on District loan portfolios if land values materially decline.

Loan Portfolio

Components of Loans

(in thousands)	**March 31, 2023**	December 31, 2022
Accrual loans:		
Wholesale loans	**$120,245,282**	$118,660,270
Retail loans:		
Real estate mortgage	**4,543,415**	4,696,993
Production and intermediate-term	**6,859,816**	7,866,773
Loans to other financing institutions (OFIs)	**800,065**	749,969
Other	**1,553,436**	1,454,782
Total retail loans	**13,756,732**	14,768,517
Nonaccrual loans	**48,339**	41,994
Total loans	**$134,050,353**	$133,470,781

The Other category was primarily composed of agribusiness and rural residential real estate loans.

Loans totaled $134.1 billion at March 31, 2023, an increase of $579.6 million from December 31, 2022. Within total loans, growth in wholesale loans was primarily driven by a rise in agribusiness loans throughout the AgriBank District.

Retail loans decreased, driven by declines in production and intermediate-term and real estate mortgage loans, primarily related to seasonal payments within our crop input financing portfolio and reduced originations in equipment financing participation portfolio. These decreases were partially offset by increases in agribusiness loans related to purchases of participations outside of pool programs during the first quarter of 2023.

Overall, credit quality remains strong, primarily supported by favorable commodity prices. As a majority of our loans are wholesale loans, we expect our credit quality will remain strong even as some District Associations may experience declines in their retail credit quality in the future. Each District Association has allowances for loan losses, earnings and capital that absorb their credit losses before their losses would impact our wholesale loans.

The credit quality of our total loan portfolio remained strong at 99.6 percent in the acceptable category at March 31, 2023 and December 31, 2022. As of March 31, 2023, all outstanding wholesale loans were classified as acceptable. Adversely classified loans remained at 0.2 percent at March 31, 2023 and December 31, 2022. Credit quality of our retail loan portfolio increased to 96.4 percent acceptable as of March 31, 2023, compared to 95.8 percent acceptable at December 31, 2022. While credit quality is currently strong, many factors could impact borrowers and may result in changes to credit quality in our loan portfolio.

Effective January 1, 2023, we adopted Accounting Standards Update (ASU) 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures, and replaced the incurred loss guidance. This framework requires that management’s estimate reflects credit losses over the asset’s remaining expected life and considers expected future changes in macroeconomic conditions and is referred to as the Current Expected Credit Loss model (CECL). The allowance for credit losses comprises the allowance for credit losses on loans, the allowance for unfunded commitments, and the allowance for credit losses on investment securities.

Components of Nonperforming Assets

(in thousands)	**March 31, 2023**	December 31, 2022
Nonaccrual loans	**$48,339**	$41,994
Accruing loans 90 days or more past due	**15,467**	746
Total nonperforming loans	**63,806**	42,740
Other property owned	**—**	—
Total nonperforming assets	**$63,806**	$42,740
As a percent of retail loans		
Nonperforming loans	**0.46 %**	0.29 %
Nonaccrual loans	**0.35 %**	0.28 %
Delinquencies	**0.94 %**	0.63 %
As a percent of loans		
Nonperforming loans	**0.05 %**	0.03 %
Nonaccrual loans	**0.04 %**	0.03 %
Delinquencies	**0.10 %**	0.07 %

Note: Prior to the adoption of CECL effective January 1, 2023, nonperforming assets included accrued interest receivables. Additionally, certain prior period ratios have been updated to conform to current period presentation.

Nonperforming assets remain at acceptable levels, and total nonperforming loans as a percentage of total loans remains within our established risk management guidelines. Nonperforming loans were primarily concentrated in the production and intermediate-term and real estate mortgage sectors. At March 31, 2023, 71.1 percent of nonaccrual loans were current as to principal and interest.

The seasonality of our crop input financing portfolio was the primary driver of the increase within accruing loans 90 days or more past due category. The risk in the crop input financing portfolio is significantly mitigated by credit enhancements, including guarantees with third parties that are in a strong financial position. Our accounting policy requires loans past due 90 days to be transferred into nonaccrual status unless adequately secured and in the process of collection. Based on our analysis, all accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance Coverage Ratios

	March 31, 2023	December 31, 2022
Allowance for loan losses as a percentage of:		
Loans	**0.01 %**	0.02 %
Retail loans	**0.14 %**	0.21 %
Nonaccrual loans	**38.85 %**	75.58 %
Total nonperforming loans [(1)]	**29.43 %**	74.26 %
Adverse assets to capital and allowance for loan losses	**3.24 %**	4.28 %

[(1)] Prior period ratio has been updated to conform to current period presentation.

Effective January 1, 2023, the allowance for loan losses is an estimate of expected credit losses in our portfolio. We determine the appropriate level of allowance for loan losses based on a disciplined process and methodology that incorporates expected probabilities of default and severity of loss based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions. Prior to January 1, 2023, the allowance for loan losses is an estimate of losses on loans in our portfolio as of the financial statement date.

As a result of adoption of the CECL guidance, the allowance for loan losses decreased by $9.8 million and was largely due to the requirement of CECL to estimate losses to the assets' contractual maturities, resulting in a decrease of allowances attributable to our short-term portfolios. Partially offsetting the decline are modest increases in allowance attributable to our long-term real estate portfolio.

As of March 31, 2023, the allowance decreased $13.0 million, compared to December 31, 2022, primarily due to the adoption of the CECL guidance. Additionally, positive shifts in our economic forecasts further reduced the allowance level as of March 31, 2023.

Funding, Liquidity and Shareholders' Equity

We are responsible for meeting the District's funding, liquidity and asset/liability management needs. Access to the unsecured debt capital markets remains our primary source of liquidity. We also maintain a secondary source of liquidity through a high-quality investment portfolio and other short-term liquid assets.

The System access to the debt capital markets is critical to support its mission of providing credit to farmers, ranchers and other eligible borrowers. For the three months ended March 31, 2023, investor demand for Systemwide Debt Securities remained sufficient to meet our funding needs.

Our liquidity policy and FCA regulations require maintaining minimum liquidity on a continuous basis of 120 days and 90 days, respectively. The days of liquidity measurement refers to the number of days that maturing debt is covered by liquid investments and cash. As of March 31, 2023, we had sufficient liquidity to fund all debt maturing within 160 days. At March 31, 2023, we held qualifying assets in excess of each incremental level to meet the liquidity coverage intervals.

We manage interest rate risk under policies established by our board and limits established by our ALCO. These policies and limits ensure that net interest income and economic value of equity at risk remain within the defined risk appetite of the board, including during periods of high interest rate volatility. Beginning in 2023, we made temporary strategic pricing changes in an effort to combat competitive pressure for District Associations.

Total shareholders' equity at March 31, 2023 was $7.4 billion, a $228.0 million increase from December 31, 2022. The increase was driven primarily by net income and net stock issuances reduced by cash patronage distributions declared, consistent with AgriBank's capital plan. Although still in an overall unrealized loss position, unrealized gains during the first quarter of 2023 in our investment portfolio positively impacted equity as long-term interest rates decreased during early 2023. While short-term interest rates increased, the majority of the yield curve moved lower and the investment market value is largely driven by long-term rates. Based on our analysis, we have not recognized an allowance for credit losses related to our investment portfolio as the substantial majority of our portfolio is guaranteed by the U.S. government or its agencies. Additionally, no investments are impaired at this time.

At March 31, 2023, we exceeded the regulatory minimum capital ratios. Refer to the Additional Regulatory Information section as well as Note 4 in the accompanying Financial Statements for further discussion of capital ratios.

Results of Operations

Net income for the three months ended March 31, 2023 was $207.3 million, a 14.3 percent increase, compared to $181.3 million for the same period in 2022. ROA of 54 basis points through the three months ended March 31, 2023 remained above AgriBank's 50 basis point target.

Changes in Significant Components of Net Income

(in thousands) **For the three months ended March 31,**	**2023**	2022	Increase (decrease) in Net Income
Net interest income	**$223,075**	$193,572	$29,503
Reversal of credit losses	**(3,000)**	(2,000)	1,000
Non-interest income	**26,624**	27,488	(864)
Non-interest expense	**45,401**	41,726	(3,675)
Net income	**$207,298**	$181,334	$25,964

Net interest income

Changes in Net Interest Income

(in thousands) **For the three months ended March 31,**	**2023 vs 2022**		
Increase (decrease) due to:	**Volume**	**Rate**	**Total**
Interest income:			
Loans	**$42,882**	**$563,771**	**$606,653**
Investments and other earning assets	**4,217**	**156,083**	**160,300**
Total interest income	**47,099**	**719,854**	**766,953**
Interest expense:			
Systemwide debt securities and other	**(33,711)**	**(703,739)**	**(737,450)**
Net change in net interest income	**$13,388**	**$16,115**	**$29,503**

Information regarding the year-to-date average daily balances (ADBs) and annualized average rates earned and paid on our portfolio follows:

(in thousands) **For the three months ended March 31,**	**2023**			2022		
	ADB	**Rate**	**NII**	ADB	Rate	NII
Interest earning assets:						
Wholesale loans	**$118,513,171**	**3.17 %**	**$924,909**	$108,319,805	1.38 %	$369,856
Retail accrual loans	**14,000,985**	**4.65 %**	**160,749**	13,344,312	3.32 %	109,170
Retail nonaccrual loans	**39,841**	**23.93 %**	**2,351**	49,055	19.26 %	2,330
Investment securities and federal funds	**22,257,823**	**3.44 %**	**188,590**	19,660,877	0.58 %	28,290
Total earning assets	**154,811,820**	**3.34 %**	**1,276,599**	141,374,049	1.46 %	509,646
Interest bearing liabilities	**148,438,945**	**2.88 %**	**1,053,524**	135,234,268	0.95 %	316,074
Interest rate spread	**$6,372,875**	**0.46 %**		$6,139,781	0.51 %	
Impact of equity financing		**0.12 %**			0.05 %	
Net interest margin		**0.58 %**			0.56 %	
Net interest income			**$223,075**			$193,572

Net interest income increased mainly due to an increase in the average daily balance of our loan portfolio as well as increased rates on investment securities as a result of widening credit spreads.

Net interest margin for the three months ended March 31, 2023 increased slightly compared to the same period of the prior year. While spreads compressed across the loan portfolio, investment spread and the impact of equity financing has improved during the first quarter of 2023. Equity financing represents the benefit of non-interest bearing funding.

Non-interest income

Non-interest income decreased for the three months ended March 31, 2023, compared to the same period of the prior year. As interest rates have risen, fixed-rate loan prepayment and conversion activity has slowed significantly and returned to levels common in a rising interest rate environment, resulting in lower fee income. Substantially offsetting this decrease, mineral income increased for the three months ended March 31, 2023 compared to the same period of the prior year. While oil prices have decreased slightly during the first quarter of 2023, they remain higher than the first quarter of 2022.

Non-interest expense

Non-interest expense increased slightly for the three months ended March 31, 2023 compared to the same period of the prior year mainly due to increases in salaries and benefits, and an increase in the Farm Credit System insurance expense. The Farm Credit System insurance expense increased in 2023 primarily due to an increase in the Farm Credit System Insurance Fund (Insurance Fund) premium rate on Systemwide adjusted insured debt. The premium rate, which is primarily impacted by System growth, was 18 basis points for the three months ended March 31, 2023, compared to 16 basis points for the same period in 2022. In June 2022, the Farm Credit System Insurance Corporation (FCSIC) increased the premium rates for all Farm Credit institutions from 16 basis points to 20 basis points. The change was applied retroactively to all of calendar year 2022. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

LIBOR Transition

We have exposure to LIBOR, including financial instruments that reference LIBOR, that mature after June 2023. Refer to the AgriBank 2022 Annual Report for further information regarding the cessation of LIBOR and our risk mitigation efforts as a result of this change.

LIBOR-Indexed Variable Rate Financial Instruments

(in thousands)

As of March 31, 2023

Period of Maturity	On or before June 30, 2023	July 1, 2023 and After	Total
Assets			
Loans	$6,016	$71,263	$77,279
Investments	—	999,389	999,389
Total	$6,016	$1,070,652	$1,076,668
Shareholders' equity			
Preferred stock[1]	$—	$250,000	$250,000

[1]The preferred stock is redeemable in whole or in part, at our option, quarterly beginning January 1, 2024. Dividends accrue at a fixed annual rate of 6.875 percent from the date of issuance through December 31, 2023, and beginning January 1, 2024 will accrue at an annual rate equal to three-month United States Dollar LIBOR rate, reset quarterly, plus 4.225 percent. Since United States Dollar LIBOR as defined with respect to the preferred stock will no longer be available after June 30, 2023, the annual rate will be replaced by a CME Term SOFR-based rate if the preferred stock is not redeemed on January 1, 2024. To the extent that any preferred stock has not been redeemed prior to June 30, 2023, pursuant to the Adjustable Interest Rate (LIBOR) Act and Federal Reserve Board Regulation ZZ, the LIBOR-based rate that would have been paid after December 31, 2023 under such preferred stock will be replaced by operation of law with a CME Term SOFR-based rate. Refer to the AgriBank 2022 Annual Report for additional information about the preferred stock.

(in millions)

Period of Termination	On or before June 30, 2023	July 1, 2023 and After	Total
Derivatives (notional amount)	$250	$909	$1,159

As advantageous opportunities arise, AgriBank has been terminating certain LIBOR-indexed swaps. These terminations are intended to opportunistically lower AgriBank’s exposure to LIBOR instruments due to the LIBOR discontinuance. As part of the LIBOR discontinuance, LIBOR-indexed swaps that are cleared at the Chicago Mercantile Exchange (CME) will be converted to a short-dated LIBOR swap and a forward starting SOFR swap. This conversion will impact approximately $115 million notional of AgriBank's derivatives portfolio. The remaining LIBOR-indexed swaps will be modified directly through amendments or through the incorporation of fallback language, which will change the contracts to SOFR after June 30, 2023.

Our exposure to loans indexed to LIBOR does not include wholesale loans, as they are not directly indexed to LIBOR. However, the wholesale pricing terms are generally matched to the District Associations' retail portfolios, which may contain some loans indexed to LIBOR. As such, the wholesale loans have historically been partially funded by LIBOR-indexed bonds. LIBOR-indexed bonds were also used to fund a portion of our administered variable loans to District Associations and, in turn, their customers. With limited exceptions in accordance to FCA guidance, District Associations have ceased issuing new loans indexed to LIBOR. There were approximately $3 billion of total LIBOR loan exposures at District Associations as of March 31, 2023.

Other Matters

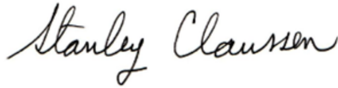
Our approval is required for significant structural changes at District Associations, including, but not limited to, merger, acquisition, liquidation or re-affiliation to another Farm Credit District.

Effective April 1, 2023, two of our District Associations, Farm Credit Midsouth, ACA and Farm Credit Mid-America, ACA merged and are doing business as Farm Credit Mid-America, ACA, headquartered in Louisville, Kentucky.

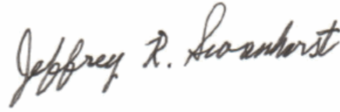
In 2021, Delta, ACA’s (Delta's) board of directors determined that it was in the best interests of Delta to voluntarily dissolve, and approved a preliminary resolution to proceed with a plan to voluntarily liquidate and dissolve the Association (the Plan). On March 17, 2022, the FCA preliminarily approved the Plan. On April 14, 2022, Delta’s stockholders approved the Plan, which included 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 assets are under the control of a liquidation agent, and the ultimate timing of the final liquidation is uncertain and subject to multiple considerations.

Certification

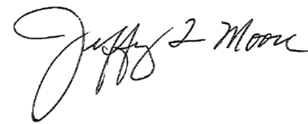
The undersigned have reviewed the March 31, 2023 Quarterly Report of AgriBank, FCB, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate and complete to the best of our knowledge and belief.



Stanley Claussen
Chair of the Board
AgriBank, FCB
May 8, 2023



Jeffrey R. Swanhorst
Chief Executive Officer
AgriBank, FCB
May 8, 2023



Jeffrey L. Moore
Chief Financial Officer
AgriBank, FCB
May 8, 2023

Statements of Condition

AgriBank, FCB

(unaudited)

(in thousands)	**March 31, 2023**	December 31, 2022
Assets		
Loans	**$134,050,353**	$133,470,781
Allowance for loan losses	**18,778**	31,739
Net loans	**134,031,575**	133,439,042
Investment securities	**18,632,422**	20,093,923
Cash	**1,293,480**	1,356,976
Federal funds and securities purchased under resale agreements	**3,900,000**	—
Accrued interest receivable	**1,112,077**	1,028,153
Derivative assets	**86,453**	114,582
Other assets	**307,348**	430,092
Total assets	**159,363,355**	156,462,768
Liabilities		
Bonds and notes	**150,941,511**	148,228,998
Accrued interest payable	**703,987**	644,117
Derivative liabilities	**83,559**	85,784
Patronage payable and other payables	**190,575**	286,334
Other liabilities	**30,163**	31,979
Total liabilities	**151,949,795**	149,277,212
Commitments and contingencies (Note 6)		
Shareholders' equity		
Perpetual preferred stock	**250,000**	250,000
Capital stock and participation certificates	**4,777,924**	4,664,821
Unallocated retained earnings	**3,202,792**	3,139,365
Accumulated other comprehensive loss	**(817,156)**	(868,630)
Total shareholders' equity	**7,413,560**	7,185,556
Total liabilities and shareholders' equity	**$159,363,355**	$156,462,768

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

Statements of Comprehensive Income

AgriBank, FCB

(unaudited)

(in thousands)	Three months	
For the periods ended March 31,	**2023**	2022
Interest income		
Loans	**$1,088,009**	$481,356
Investments and other earning assets	**188,590**	28,290
Total interest income	**1,276,599**	509,646
Interest expense	**1,053,524**	316,074
Net interest income	**223,075**	193,572
Provision for credit losses	**(3,000)**	(2,000)
Net interest income after provision for credit losses	**226,075**	195,572
Non-interest income		
Mineral income	**20,024**	18,808
Business services income	**2,124**	1,956
Loan prepayment and fee income	**2,745**	5,431
Other non-interest income, net	**1,731**	1,293
Total non-interest income	**26,624**	27,488
Non-interest expense		
Salaries and employee benefits	**7,826**	6,717
Other operating expenses	**12,025**	11,230
Loan servicing and other expenses	**19,145**	18,302
Farm Credit System insurance expense	**6,400**	5,348
Other non-interest expenses, net	**5**	129
Total non-interest expense	**45,401**	41,726
Net income	**$207,298**	$181,334
Other comprehensive income (loss)		
Investment securities activity	**$129,474**	$(394,165)
Derivatives and hedging activity	**(78,045)**	42,995
Employee benefit plan activity	**45**	59
Total other comprehensive income (loss)	**51,474**	(351,111)
Comprehensive income (loss)	**$258,772**	$(169,777)

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

Statements of Changes in Shareholders' Equity

AgriBank, FCB

(unaudited) (in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Allocated Retained Earnings	Unallocated Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2021	$250,000	$3,826,290	$1,377	$3,139,203	$(210,955)	$7,005,915
Net income				181,334		181,334
Other comprehensive loss					(351,111)	(351,111)
Redemption of retained earnings allocated under patronage program			(602)			(602)
Cash patronage				(129,484)		(129,484)
Retained earnings allocated under patronage program			131	(131)		—
Perpetual preferred stock dividends				(4,297)		(4,297)
Capital stock/participation certificates issued		106,350				106,350
Capital stock/participation certificates retired		(22,118)				(22,118)
Balance at March 31, 2022	$250,000	$3,910,522	$906	$3,186,625	$(562,066)	$6,785,987
Balance at December 31, 2022	$250,000	$4,664,821	$—	$3,139,365	$(868,630)	$7,185,556
Cumulative effect of change in accounting principle				**8,815**		**8,815**
Net income				**207,298**		**207,298**
Other comprehensive income					**51,474**	**51,474**
Cash patronage				**(148,389)**		**(148,389)**
Perpetual preferred stock dividends				**(4,297)**		**(4,297)**
Capital stock/participation certificates issued		**119,712**				**119,712**
Capital stock/participation certificates retired		**(6,609)**				**(6,609)**
Balance at March 31, 2023	**$250,000**	**$4,777,924**	**$—**	**$3,202,792**	**$(817,156)**	**$7,413,560**

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

Statements of Cash Flows

AgriBank, FCB

(unaudited)

(in thousands)

For the three months ended March 31,	2023	2022
Cash flows from operating activities		
Net income	**$207,298**	$181,334
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation on premises and equipment	**150**	77
Provision for credit losses	**(3,000)**	(2,000)
Loss on sale of investment securities, net	**—**	361
Amortization of (discounts) premiums on investments, net	**(36,803)**	12,709
Amortization of discounts on debt and deferred debt issuance costs, net	**28,907**	19,489
Loss on derivative activities, net	**4,938**	6,408
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	**(897,212)**	(341,113)
Decrease (increase) in other assets	**153,184**	(11,735)
Increase in accrued interest payable	**59,870**	7,947
Decrease in other liabilities	**(168,001)**	(22,235)
Net cash used in operating activities	**(650,669)**	(148,758)
Cash flows from investing activities		
Decrease (increase) in loans, net	**223,755**	(1,260,575)
Increase in federal funds sold and securities purchased under resale agreements, net	**(3,900,000)**	(171,000)
Purchases of investment securities	**(1,282,350)**	(3,837,127)
Proceeds from investment securities	**2,910,128**	2,415,773
Proceeds from the sale of investment securities	**—**	355,608
Other investing activities, net	**(269)**	(179)
Net cash used in investing activities	**(2,048,736)**	(2,497,500)
Cash flows from financing activities		
Bonds and notes issued	**26,311,052**	52,967,679
Bonds and notes retired	**(23,660,042)**	(50,423,006)
(Increase) decrease in cash collateral posted with counterparties, net	**(26,335)**	9,980
Variation margin paid on cleared derivatives, net	**(24,483)**	(10,901)
Patronage distributions paid	**(77,386)**	(308,656)
Preferred stock dividends paid	**—**	(4,297)
Capital stock/participation certificates issued, net	**113,103**	84,232
Net cash provided by financing activities	**2,635,909**	2,315,031
Net decrease in cash	**(63,496)**	(331,227)
Cash at beginning of period	**1,356,976**	1,304,994
Cash at end of period	**$1,293,480**	$973,767

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

Supplemental Statements of Cash Flows Information

AgriBank, FCB

(unaudited)

(in thousands)

For the three months ended March 31,	2023	2022
Supplemental non-cash investing and financing activities		
Increase (decrease) in shareholders' equity from investment securities	**$129,474**	$(394,165)
Interest capitalized to loan principal	**813,288**	358,528
Patronage and preferred stock dividends accrued	**152,444**	134,384
Supplemental non-cash fair value changes related to hedging activities		
Decrease (increase) in derivative assets and liabilities, net	**$50,387**	$(11,807)
Increase (decrease) in bonds from derivative activity	**32,596**	(24,780)
(Decrease) increase in shareholders' equity from cash flow derivatives	**(78,045)**	42,995
Supplemental Information		
Interest paid	**$959,385**	$282,786

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

Notes to Financial Statements

AgriBank, FCB

(Unaudited)

NOTE 1

Organization and Significant Accounting Policies

AgriBank, FCB (AgriBank) is one of the Banks of the Farm Credit System (the System), a nationwide network of cooperatively owned Banks and Associations, established by Congress and subject to the provisions of the Farm Credit Act of 1971, as amended. The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes. AgriBank and its District Associations are collectively referred to as the District. Each parent ACA has wholly owned Federal Land Credit Association and Production Credit Association subsidiaries. AgriBank serves as the intermediary between the financial markets and the retail lending activities of the District Associations.

The accompanying Financial Statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform to generally accepted accounting principles in the United States of America (GAAP) and prevailing practices within the financial services industry. The preparation of Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Financial Statements include the accounts of AgriBank. The Financial Statements do not include the assets, obligations or results of operations of District Associations or service corporations. AgriBank operates as a single segment for reporting purposes.

Certain amounts in the prior years' Financial Statements have been reclassified to conform to current year presentation.

A description of our organization and operations, significant accounting policies followed, financial condition, and results of operations as of and for the year ended December 31, 2022 are contained in the 2022 Annual Report.

These unaudited first quarter 2023 Financial Statements should be read in conjunction with the 2022 Annual Report. The results for the three months ended March 31, 2023 do not necessarily indicate the results to be expected for the year ending December 31, 2023.

Effective January 1, 2023, we adopted Accounting Standards Update (ASU) 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures, and replaced the incurred loss guidance. This framework requires that management's estimate reflects credit losses over the assets' remaining expected life and considers expected future changes in macroeconomic conditions and is referred to as the Current Expected Credit Loss model (CECL). The allowance for credit losses comprises the allowance for credit losses on loans, the allowance for unfunded commitments and the allowance for credit losses on investment securities.

There have been specific changes in our accounting policies as disclosed in our 2022 Annual Report. The updated accounting policies are described as follows:

Effective January 1, 2023, we revised our policy Statements of Cash Flows policy to exclude Federal Funds balances from the beginning and ending cash balances in the Statement of Cash flows. This policy change was applied retroactively and $171.0 million of Federal Funds was reclassified from the ending balance as of March 31, 2022, and presented as an Investing Activity in the Statement of Cash Flows. The revision of this policy had no impact on the Statements of Condition or Statements of Comprehensive Income. This policy was revised to better conform with industry practice and make our financial statements more comparable to other institutions.

	For the three months ended March 31, 2022		
(in thousands)	As reported	Change	As adjusted
Increase in federal funds sold and securities purchased under resale agreements, net	$—	$(171,000)	$(171,000)
Net cash used in investing activities	(2,326,500)	(171,000)	(2,497,500)
Net (decrease) increase in cash	(160,227)	(171,000)	(331,227)
Cash at end of period	1,144,767	(171,000)	973,767

Loans: Loans are carried at their principal amount outstanding, net of any unearned income, cumulative net charge-offs and unamortized deferred fees. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Accrued interest on wholesale loans is capitalized to loan principal on a monthly basis. Origination fees, net of related costs, are deferred and recognized over the life of the loan as a yield adjustment in net interest income. The net amount of loan fees and related origination costs are not material to the Financial Statements taken as a whole. The majority of our loan-related fees are through funding our wholesale loans. These fees are considered funding charges, because the fees are related to actions of the underlying Association retail loans, which are funded through the wholesale loans. These wholesale fees are not subject to deferral and are recognized in the period in which they are assessed.

A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan remains contractually past due until it is modified or until the entire amount past due, including principal, accrued interest and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

Loans are placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately secured and in the process of collection) or circumstances indicate that full collection is not expected. When a loan is placed in nonaccrual status, and the interest is determined to be both uncollectible and the loss is known, we reverse current year accrued interest to the extent principal plus accrued interest exceeds the net realizable value of the collateral prior to reclassification. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and certain other criteria are met. In these circumstances interest is credited to income when cash is received. Loans are charged off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when principal and interest are current, the customer's ability to fulfill the contractual payment terms is fully expected, and, if the loan was past due when placed in nonaccrual status, the loan has evidence of sustained performance in making on-time contractual payments (typically based on payment frequency).

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one or a combination of principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Prior to January 1, 2023, in situations where, for economic or legal reasons related to the borrower's financial difficulties, we granted a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan was classified as a troubled debt restructuring (TDR), also known as a formally restructured loan for regulatory purposes. A concession was generally granted in order to minimize economic loss and avoid foreclosure. Concessions varied by program and borrower and may have included interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. Loans classified as TDRs were considered risk loans (as defined in the Allowance for Loan Losses section). There may have been modifications made in the normal course of business that were not considered TDRs.

Allowance for Credit Losses on Loans: Beginning January 1, 2023, the allowance for credit losses on loans (ACLL) represents the estimated current expected credit losses on the loan portfolio, including unfunded commitments, over the remaining contractual life of the loan portfolio, adjusted for expected prepayments, and expected utilization of unfunded commitments. The ACLL takes into consideration relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancellable.

The allowance is increased through provisions for credit losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. The allowance for credit losses on unfunded commitments is included in "Other Liabilities" in the Statements of Condition. See Note 2 Loans and allowance for loan losses for further information.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the then-existing loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for credit losses in those future periods. Loans are evaluated on the amortized cost basis, including unamortized premiums and discounts. We utilize a single economic scenario over a reasonable and supportable forecast period of three years. Subsequent to the forecast period, we revert to historical loss experience to inform the estimate of losses for the remaining estimated contractual life of the portfolios.

The economic forecasts are updated on a quarterly basis and include macroeconomic variables such as net farm income, unemployment rates, real gross domestic product levels, housing price index, and agricultural land values. Loan and borrower characteristics are also utilized and include internal risk ratings, delinquency status, and the remaining term of the loan, adjusted for expected prepayments. We also consider the imprecision inherent in the process and methodology, which may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral.

We employ a disciplined process and methodology to establish the ACLL that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics. When a loan does not share risk characteristics with other loans, expected credit loss is measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with our appraisal policy, the fair value of collateral-dependent loans is based upon independent third-party appraisals or on collateral valuations prepared by in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged off against the allowance for credit losses.

In estimating the component of the ACLL that share common risk characteristics, loans are pooled and segregated into loan classes based on loan type, commodity, and internal risk rating. The model calculates an expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by internal risk rating, and the severity of loss, based on the aggregate net lifetime losses incurred.

The final credit loss estimate also considers factors not reflected in the economic forecast and historical loss experience due to the unique aspects of current conditions and expectations. These factors may include, but are not limited to: lending policies and procedures, experience and depth of lending staff, credit quality and delinquency trends, individual borrower and industry concentrations, national, regional, and local economic business conditions and developments, collateral value trends, and expected performance of specific industry sectors not reflected in the economic forecast.

Prior to January 1, 2023, the allowance for loan losses was an estimate of losses inherent in our loan portfolio as of the financial statement date. We determined the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality and current economic and environmental conditions. Refer to our 2022 Annual Report for additional information.

Accrued Interest Receivable: Accrued interest on loans and investment securities is classified separately in the Statements of Condition. Additionally, accrued interest receivable has been excluded from the footnote disclosures for all periods after January 1, 2023.

Securities Purchased Under Resale Agreements: Securities purchased under resale agreements, as included on the Financial Statements, represent collateralized transactions whereby we place cash with a counterparty and receive an equivalent amount of U.S. Treasury securities as collateral, plus interest. These transactions typically represent an overnight investment.

Statements of Cash Flows: For purposes of reporting cash flows, beginning and ending cash balances include cash on hand, deposits at banks and money market funds. Cash flows on hedges are classified in the same category as the items being hedged.

Investment Securities: Effective January 1, 2023, we adopted CECL, which amended the previous other-than-temporary impairment (OTTI) model for investment securities to incorporate an allowance for expected credit losses on investments.

Our investment securities have been classified as available-for-sale (AFS). These investments are reported at fair value, net of allowance for credit losses on investments. Unrealized holding gains and losses on investments are netted and reported as a separate component of shareholders' equity ("Accumulated other comprehensive loss"). Changes in the fair value of investment securities are reflected as direct charges or credits to "Other comprehensive income (loss)," net of allowance for credit losses or impairment. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities.

Quarterly we evaluate the investment portfolio for credit losses and impairment. Unrealized losses on our investment portfolio may be driven by a number factors, including but not limited to, changes in interest rates and credit spreads. Additionally, we consider explicit or implicit guarantees provided by the U.S. government. For those securities guaranteed by the U.S. government or agencies, we have not recognized an allowance for credit losses on investments as our expectation of nonpayment of the amortized cost basis, based on historical losses, is zero.

For investment securities where the fair value is less than the amortized cost basis, we recognize impairment in earnings if we have the intent to sell the security or if it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis.

Investment securities not deemed impaired, where fair value is less than the amortized cost basis, we recognize an allowance for credit losses on investment securities, to the extent the unrealized loss is due to credit loss. The final credit loss estimate is subject to management judgment with respect to current and forecasted conditions, and consideration of U.S. government guarantees.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business:

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance is effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amends the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We adopted the standard and subsequently issued updates as of January 1, 2023. As a result of adopting this guidance, the allowance for loan losses decreased by $9.8 million, and the reserve for unfunded commitments increased by $1.0 million, with a cumulative-effect increase to retained earnings of $8.8 million. The adoption of the standard did not have a material impact related to our AFS investment portfolio, as the substantial majority of these investments carry a full faith and credit guarantee of the U.S. government or an implicit credit guarantee from its agencies and have an immaterial risk of credit loss. No allowance for credit losses was recognized in relation to our investment portfolio upon adoption.
In April 2019, the FASB issued ASU 2019-04 "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments." The guidance is effective the same as the effective dates and transition requirements in Update 2016-13 as amended.	The FASB decided to issue a separate Update for improvements to Updates 2016-01, 2016-13, and 2017-12 to increase stakeholders' awareness of the amendments and to expedite improvements to the Codification. The amendments in this Update are intended to improve the Codification or correcting its unintended application. The items addressed in the amendments generally are not expected to have a significant effect on current accounting practice or to create a significant administrative cost for most entities.	We adopted the portion of the guidance relevant to us concurrent with the adoption of ASU 2016-13 as amended on January 1, 2023. The accounting standard update and the amendments did not have a material impact on our financial statements.
In March 2022, the FASB issued ASU 2022-02 "Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The guidance is effective at the same time that ASU 2016-13 is adopted.	This guidance eliminates the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings. This guidance also requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost.	We adopted the standard on January 1, 2023. The adoption of this guidance did not have a material impact on our financial statements, but modified certain disclosures beginning with our first quarter 2023 Quarterly Report.

NOTE 2

Loans and Allowance for Credit Losses

Loans by Type

	March 31, 2023		December 31, 2022	
(in thousands)	Amount	%	Amount	%
Wholesale loans	**$120,245,282**	**89.7 %**	$118,660,270	88.9 %
Retail loans:				
Real estate mortgage	**4,553,607**	**3.4 %**	4,710,046	3.5 %
Production and intermediate-term	**6,885,248**	**5.1 %**	7,894,068	5.9 %
Loans to other financing institutions (OFIs)	**800,065**	**0.6 %**	749,969	0.6 %
Other	**1,566,151**	**1.2 %**	1,456,428	1.1 %
Total retail loans	**13,805,071**	**10.3 %**	14,810,511	11.1 %
Total loans	**$134,050,353**	**100.0 %**	$133,470,781	100.0 %

The Other category was primarily composed of agribusiness and rural residential real estate loans.

Accrued interest receivable on loans of $1.1 billion as of March 31, 2023 has been excluded from the amortized cost of loans and reported separately in the Statement of Condition.

Participations

We may purchase participations from and sell participations to others, primarily District Associations. We had no purchases outside the System in the periods presented.

Retail Loan Participations Purchased

(in thousands)	March 31, 2023	December 31, 2022
Real estate mortgage	**$4,553,607**	$4,710,046
Production and intermediate-term	**6,885,248**	7,894,068
Other	**1,553,524**	1,445,398
Total loans	**$12,992,379**	$14,049,512

Portfolio Performance

The primary credit quality indicator we use is the Farm Credit Administration (FCA) Uniform Loan Classification System, which categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are non-criticized assets representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probability of default ratings.
- Other Assets Especially Mentioned (Special mention) – are currently collectible, but exhibit some potential weakness. These assets involve increased credit risk, but not to the point of justifying a substandard classification.
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan
- Doubtful – assets exhibit similar weaknesses as 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

We had no loans categorized as loss at March 31, 2023 or December 31, 2022.

Credit Quality of Loans as a Percentage of Total Loans

As of March 31, 2023	Acceptable	Special mention	Substandard/ Doubtful	Total
Wholesale loans	**100.0 %**	**— %**	**— %**	**100.0 %**
Retail loans:				
Real estate mortgage	**98.3 %**	**0.7 %**	**1.0 %**	**100.0 %**
Production and intermediate-term	**94.8 %**	**3.3 %**	**1.9 %**	**100.0 %**
Loans to OFIs	**100.0 %**	**— %**	**— %**	**100.0 %**
Other	**95.5 %**	**0.3 %**	**4.2 %**	**100.0 %**
Total retail loans	**96.4 %**	**1.9 %**	**1.7 %**	**100.0 %**
Total loans	**99.6 %**	**0.2 %**	**0.2 %**	**100.0 %**

Credit Quality and Origination Year of Loans

(in thousands)	Term Loans by Origination Year								
As of March 31, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans**	**Revolving Loans Converted to Term Loans**	**Total**
Wholesale Loans									
Acceptable	**$—**	**$—**	**$—**	**$—**	**$—**	**$—**	**$120,245,282**	**$—**	**$120,245,282**
Total Wholesale Loans	**$—**	**$—**	**$—**	**$—**	**$—**	**$—**	**$120,245,282**	**$—**	**$120,245,282**
Retail Loans:									
Real estate mortgage									
Acceptable	**$—**	**$73,171**	**$659,348**	**$930,601**	**$423,652**	**$2,268,573**	**$118,009**	**$186**	**$4,473,540**
Special mention	**—**	**5,497**	**931**	**2,731**	**1,020**	**12,754**	**10,000**	**—**	**32,933**
Substandard/Doubtful	**—**	**291**	**3,845**	**4,359**	**5,413**	**31,383**	**1,843**	**—**	**47,134**
Total Real estate mortgage loans	**$—**	**$78,959**	**$664,124**	**$937,691**	**$430,085**	**$2,312,710**	**$129,852**	**$186**	**$4,553,607**
Production and intermediate-term									
Acceptable	**$691,481**	**$2,082,201**	**$1,779,531**	**$1,003,109**	**$341,606**	**$204,616**	**$424,254**	**$464**	**$6,527,262**
Special mention	**49,931**	**98,384**	**27,087**	**15,076**	**7,072**	**3,416**	**28,503**	**74**	**229,543**
Substandard/Doubtful	**19,477**	**46,892**	**20,051**	**8,649**	**9,037**	**8,013**	**16,132**	**192**	**128,443**
Total production and intermediate-term loans	**$760,889**	**$2,227,477**	**$1,826,669**	**$1,026,834**	**$357,715**	**$216,045**	**$468,889**	**$730**	**$6,885,248**
Loans to OFIs									
Acceptable	**$31,035**	**$169,210**	**$153,665**	**$190,995**	**$24,696**	**$19,326**	**$211,138**	**$—**	**$800,065**
Total loans to OFIs	**$31,035**	**$169,210**	**$153,665**	**$190,995**	**$24,696**	**$19,326**	**$211,138**	**$—**	**$800,065**
Other									
Acceptable	**$42,696**	**$242,124**	**$254,004**	**$197,267**	**$95,829**	**$354,578**	**$308,659**	**$747**	**$1,495,904**
Special mention	**—**	**669**	**1,720**	**42**	**6**	**1,452**	**1,020**	**—**	**4,909**
Substandard/Doubtful	**—**	**13**	**5,426**	**40,686**	**1,893**	**10,889**	**6,379**	**52**	**65,338**
Total other	**$42,696**	**$242,806**	**$261,150**	**$237,995**	**$97,728**	**$366,919**	**$316,058**	**$799**	**$1,566,151**
Total retail loans									
Acceptable	**$765,212**	**$2,566,706**	**$2,846,548**	**$2,321,972**	**$885,783**	**$2,847,093**	**$1,062,060**	**$1,397**	**$13,296,771**
Special mention	**49,931**	**104,550**	**29,738**	**17,849**	**8,098**	**17,622**	**39,523**	**74**	**267,385**
Substandard/Doubtful	**19,477**	**47,196**	**29,322**	**53,694**	**16,343**	**50,285**	**24,354**	**244**	**240,915**
Total Retail Loans	**$834,620**	**$2,718,452**	**$2,905,608**	**$2,393,515**	**$910,224**	**$2,915,000**	**$1,125,937**	**$1,715**	**$13,805,071**
Total loans									
Acceptable	**$765,212**	**$2,566,706**	**$2,846,548**	**$2,321,972**	**$885,783**	**$2,847,093**	**$121,307,342**	**$1,397**	**$133,542,053**
Special mention	**49,931**	**104,550**	**29,738**	**17,849**	**8,098**	**17,622**	**39,523**	**74**	**267,385**
Substandard/Doubtful	**19,477**	**47,196**	**29,322**	**53,694**	**16,343**	**50,285**	**24,354**	**244**	**240,915**
Total	**$834,620**	**$2,718,452**	**$2,905,608**	**$2,393,515**	**$910,224**	**$2,915,000**	**$121,371,219**	**$1,715**	**$134,050,353**
Charge-offs, for the three months ended March 31, 2023									
Production and intermediate-term	**$166**	**$38**	**$467**	**$43**	**$34**	**$90**	**$—**	**$—**	**$838**
Total	**$166**	**$38**	**$467**	**$43**	**$34**	**$90**	**$—**	**$—**	**$838**

Credit Quality of Loans

(in thousands) As of December 31, 2022	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	$119,473,496	100.0 %	$—	0.0 %	$—	— %	$119,473,496	100.0 %
Retail loans:								
Real estate mortgage	4,666,308	98.4 %	21,950	0.5 %	53,402	1.1 %	4,741,660	100.0 %
Production and intermediate-term	7,545,597	94.0 %	285,805	3.6 %	191,064	2.4 %	8,022,466	100.0 %
Loans to OFIs	755,319	100.0 %	—	— %	—	— %	755,319	100.0 %
Other	1,392,199	95.2 %	6,498	0.4 %	64,151	4.4 %	1,462,848	100.0 %
Total retail loans	14,359,423	95.8 %	314,253	2.1 %	308,617	2.1 %	14,982,293	100.0 %
Total loans	$133,832,919	99.6 %	$314,253	0.2 %	$308,617	0.2 %	$134,455,789	100.0 %

Note: Prior to the adoption of CECL effective January 1, 2023, accruing loans included accrued interest receivable.

Aging Analysis of Loans

(in thousands) **As of March 31, 2023**	**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 Loans**	**Accruing Loans 90 Days or More Past Due**
Wholesale loans	**$—**	**$—**	**$—**	**$120,245,282**	**$120,245,282**	**$—**
Retail loans:						
Real estate mortgage	**8,113**	**3,679**	**11,792**	**4,541,815**	**4,553,607**	**684**
Production and intermediate-term	**93,456**	**19,652**	**113,108**	**6,772,140**	**6,885,248**	**14,783**
Loans to OFIs	**—**	**—**	**—**	**800,065**	**800,065**	**—**
Other	**3,687**	**220**	**3,907**	**1,562,244**	**1,566,151**	**—**
Total retail loans	**105,256**	**23,551**	**128,807**	**13,676,264**	**13,805,071**	**15,467**
Total loans	**$105,256**	**$23,551**	**$128,807**	**$133,921,546**	**$134,050,353**	**$15,467**

(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 Loans	Accruing Loans 90 Days or More Past Due
Wholesale loans	$—	$—	$—	$119,473,496	$119,473,496	$—
Retail loans:						
Real estate mortgage	22,767	1,498	24,265	4,717,395	4,741,660	76
Production and intermediate-term	54,295	6,131	60,426	7,962,040	8,022,466	670
Loans to OFIs	—	—	—	755,319	755,319	—
Other	8,316	282	8,598	1,454,250	1,462,848	—
Total retail loans	85,378	7,911	93,289	14,889,004	14,982,293	746
Total loans	$85,378	$7,911	$93,289	$134,362,500	$134,455,789	$746

Note: Prior to the adoption of CECL effective January 1, 2023, accruing loans included accrued interest receivable.

Nonaccrual Loans by Type

As of:	**March 31, 2023**	December 31, 2022
Real estate mortgage	**$10,192**	$13,055
Production and intermediate-term	**25,432**	27,296
Other	**12,715**	1,643
Total nonaccrual loans	**$48,339**	$41,994

Additional Nonaccrual Loans Information

	As of March 31, 2023	**For the three months ended March 31, 2023**
	Amortized Cost without Allowance	**Interest Income Recognized**
Nonaccrual loans:		
Real estate mortgage	**$10,159**	**$1,318**
Production and intermediate-term	**8,271**	**1,033**
Other	**4,984**	**—**
Total nonaccrual loans	**$23,413**	**$2,351**

We had no wholesale loans classified as nonaccrual at March 31, 2023. Reversals of interest income on loans that moved to nonaccrual status were not significant during the three months ended March 31, 2023.

Modifications Granted to Borrowers Experiencing Financial Difficulty

Included within our loans are loan modifications. Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one or a combination of principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Our loans classified as modified loans and activity on these loans were not material during the three months ended March 31, 2023. We did not have any material commitments to lend to borrowers whose loans have been modified as of March 31, 2023.

Allowance for Loan Losses and Credit Losses on Unfunded Commitments

The “Provision for credit losses” in the Statements of Comprehensive Income includes a reversal of loan losses and includes any provision for unfunded commitments. The accrued credit losses on unfunded commitments are recorded in “Other liabilities” in the Statements of Condition. Typically, accrued credit losses are relieved and replaced with an allowance for loan loss as the related commitments are funded. The allowance for credit losses on unfunded commitments was not significant as of March 31, 2023 or December 31, 2022. Similarly, the provision for unfunded commitments for the three months ended March 31, 2023 and 2022, was not significant.

Changes in Allowance for Loan Losses by Loan Type

(in thousands)	**Wholesale loans**	**Real estate mortgage**	**Production and intermediate-term**	**Loans to OFIs**	**Other**	**Total**
Allowance for loan losses:						
Balance as of December 31, 2022	**$—**	**$3,932**	**$22,350**	**$305**	**$5,152**	**$31,739**
Cumulative effect of change in accounting principle	**—**	**(768)**	**(14,927)**	**582**	**5,298**	**(9,815)**
Provision for loan losses	**—**	**(1,515)**	**(1,705)**	**(299)**	**519**	**(3,000)**
Charge-offs	**—**	**—**	**(838)**	**—**	**—**	**(838)**
Recoveries	**—**	**1**	**691**	**—**	**—**	**692**
Balance as of March 31, 2023	**$—**	**$1,650**	**$5,571**	**$588**	**$10,969**	**$18,778**

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate-term	Loans to OFIs	Other	Total
Allowance for loan losses:						
Balance as of December 31, 2021	$—	$4,809	$30,572	$280	$1,897	$37,558
Provision for loan losses	—	(376)	(3,820)	(5)	201	(4,000)
Charge-offs	—	—	(649)	—	(2)	(651)
Recoveries	—	2	1,213	—	6	1,221
Balance as of March 31, 2022	$—	$4,435	$27,316	$275	$2,102	$34,128

Previously Required Disclosures

The disclosures in this section were required prior to January 1, 2023. Upon the adoption of CECL, these disclosures are no longer required prospectively.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands)	December 31, 2022
Nonaccrual loans:	
Current as to principal and interest	$31,731
Past due	10,263
Total nonaccrual loans	41,994
Accruing restructured loans	3,025
Accruing loans 90 days or more past due	746
Total risk loans	$45,765
Volume with specific reserves	$26,271
Volume without specific reserves	19,494
Total risk loans	$45,765
Specific reserves	$5,904

Note: Accruing loans include accrued interest receivable.

For the three months ended March 31,	2022
Income on accrual risk loans	$83
Income on nonaccrual loans	2,330
Total income on risk loans	$2,413
Average risk loans	$56,707

Risk Loans by Type

(in thousands)	December 31, 2022
Nonaccrual loans:	
Real estate mortgage	$13,055
Production and intermediate-term	27,296
Other	1,643
Total nonaccrual loans	$41,994
Accruing restructured loans:	
Real estate mortgage	$2,935
Production and intermediate-term	90
Total accruing restructured loans	$3,025
Accruing loans 90 days or more past due:	
Real estate mortgage	$76
Production and intermediate-term	670
Total accruing loans 90 days or more past due	$746
Total risk loans	$45,765

Note: Accruing loans include accrued interest receivable.

We had no wholesale loans classified as risk loans at December 31, 2022. All risk loans were considered to be impaired loans.

	As of December 31, 2022			For the three months ended March 31, 2022	
(in thousands)	Recorded Investment[1]	Unpaid Principal Balance[2]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:					
Real estate mortgage	$6,889	$7,710	$1,833	$8,393	$—
Production and intermediate-term	18,164	20,575	3,774	25,072	—
Other	1,218	1,380	297	858	—
Total	$26,271	$29,665	$5,904	$34,323	$—
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$9,177	$9,705	$—	$10,390	$1,126
Production and intermediate-term	9,892	25,744	—	11,427	1,286
Other	425	661	—	567	1
Total	$19,494	$36,110	$—	$22,384	$2,413
Total impaired loans:					
Real estate mortgage	$16,066	$17,415	$1,833	$18,783	$1,126
Production and intermediate-term	28,056	46,319	3,774	36,499	1,286
Other	1,643	2,041	297	1,425	1
Total	$45,765	$65,775	$5,904	$56,707	$2,413

[1] The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges and acquisition costs and may also reflect a previous direct write-down of the investment. The recorded investment may be less than the unpaid principal balance as payments on non-cash basis nonaccrual loans reduce the recorded investment.
[2] Unpaid principal balance represents the contractual principal balance of the loan.

We did not have material loan commitments to borrowers whose loans were at risk as of December 31, 2022.

Period End Recorded Investments by Loan Type

(in thousands)	Wholesale loans	Real estate mortgage	Production and intermediate-term	Loans to OFIs	Other	Total
As of December 31, 2022						
Ending balance: individually evaluated for impairment	$—	$1,833	$3,774	$—	$297	$5,904
Ending balance: collectively evaluated for impairment	$—	$2,099	$18,576	$305	$4,855	$25,835
Recorded investments in loans outstanding:						
Ending balance as of December 31, 2022	$119,473,496	$4,741,660	$8,022,466	$755,319	$1,462,848	$134,455,789
Ending balance for loans individually evaluated for impairment	$119,473,496	$16,066	$28,056	$—	$12,770	$119,530,388
Ending balance for loans collectively evaluated for impairment	$—	$4,725,594	$7,994,410	$755,319	$1,450,078	$14,925,401

Note: Accruing loans include accrued interest receivable.

Troubled Debt Restructurings

Prior to the adoption of CECL, included within our loans were troubled debt restructurings (TDRs). These loans had been modified by granting a concession when a borrower is experiencing financial difficulties. There may have been modifications made in the normal course of business that would not be considered TDRs. All risk loans, including TDRs, were analyzed within our allowance for loan losses. Modifications may have include interest rate reduction below market, deferral of principal, interest compromise, principal compromise or extension of maturity. Our loans classified as TDRs and activity on these loans were not material during three months ended March 31, 2022. We did not have any material commitments to lend to borrowers whose loans have been modified as TDRs as of March 31, 2022.

NOTE 3

Investment Securities

All investment securities are classified as available-for-sale (AFS).

Investment Securities

AFS Investment Securities

(in thousands) **March 31, 2023**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Commercial paper and other	**$8,035,843**	**$607**	**$583**	**$8,035,867**	**5.3%**
U.S. Treasury securities	**4,403,096**	**174**	**142,978**	**4,260,292**	**0.5%**
Mortgage-backed securities	**6,853,567**	**1,997**	**654,295**	**6,201,269**	**2.8%**
Asset-backed securities	**136,200**	**437**	**1,643**	**134,994**	**3.8%**
Total	**$19,428,706**	**$3,215**	**$799,499**	**$18,632,422**	**3.3%**

(in thousands) December 31, 2022	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Weighted Average Yield
Commercial paper and other	$8,324,569	$186	$6,332	$8,318,423	4.8%
U.S. Treasury securities	5,867,026	—	197,752	5,669,274	0.4%
Mortgage-backed securities	6,682,825	160	720,266	5,962,719	2.5%
Asset-backed securities	145,261	271	2,025	143,507	3.7%
Total	$21,019,681	$617	$926,375	$20,093,923	2.8%

Commercial paper and other was composed primarily of corporate commercial paper and certificates of deposit.

Contractual Maturities of AFS Investment Securities

	Year of Maturity				
(in thousands) **As of March 31, 2023**	**One Year or Less**	**One to Five Years**	**Five to Ten Years**	**More Than Ten Years**	**Total**
Commercial paper and other	**$8,035,867**	**$—**	**$—**	**$—**	**$8,035,867**
U.S. Treasury securities	**2,753,405**	**1,506,887**	**—**	**—**	**4,260,292**
Mortgage-backed securities	**11**	**141,432**	**138,683**	**5,921,143**	**6,201,269**
Asset-backed securities	**—**	**134,994**	**—**	**—**	**134,994**
Total fair value	**$10,789,283**	**$1,783,313**	**$138,683**	**$5,921,143**	**$18,632,422**
Total amortized cost	**$10,841,965**	**$1,881,853**	**$147,078**	**$6,557,810**	**$19,428,706**
Weighted average yield	**4.0 %**	**1.2 %**	**1.6 %**	**2.9 %**	**3.3 %**

The expected average life is 1.8 years for asset-backed securities and 5.7 years for mortgage-backed securities at March 31, 2023. Expected maturities differ from contractual maturities, because borrowers may have the right to prepay obligations.

A summary of the investment securities in an unrealized loss position presented by the length of time that the securities have been in a continuous unrealized loss position follows:

	Less than 12 months		**More than 12 months**	
(in thousands)	**Fair**	**Unrealized**	**Fair**	**Unrealized**
As of March 31, 2023	**Value**	**Losses**	**Value**	**Losses**
Commercial paper and other	**$5,114,060**	**$583**	**$—**	**$—**
U.S. Treasury securities	**73,615**	**375**	**4,148,226**	**142,603**
Mortgage-backed securities	**1,752,920**	**54,447**	**3,860,764**	**599,848**
Asset-backed securities	**45,232**	**800**	**30,329**	**843**
Total	**$6,985,827**	**$56,205**	**$8,039,319**	**$743,294**

	Less than 12 months		More than 12 months	
(in thousands)	Fair	Unrealized	Fair	Unrealized
As of December 31, 2022	Value	Losses	Value	Losses
Commercial paper and other	$5,165,371	$6,332	$—	$—
U.S. Treasury securities	454,723	6,034	5,214,551	191,718
Mortgage-backed securities	3,593,031	205,179	2,319,333	515,087
Asset-backed securities	80,037	1,957	4,203	68
Total	$9,293,162	$219,502	$7,538,087	$706,873

We sold $356.0 million of U.S. Treasury securities during three months ended March 31, 2022. There were no AFS investment securities sold during the the three months ended March 31, 2023.

Based on our analysis, we have not recognized an allowance for credit losses related to our investment portfolio as of March 31, 2023. This is due to the fact that a substantial majority of our portfolio is guaranteed by the U.S. government or its agencies. Additionally, no investments were impaired as of March 31, 2023.

Prior to 2023, we evaluated our investment securities for other-than-temporary impairment (OTTI) on a quarterly basis. We determined no securities were in an OTTI loss position at December 31, 2022. There was no OTTI activity during any period in 2022.

NOTE 4

Shareholders' Equity

Regulatory Capital Requirements and Ratios

	March 31, 2023	December 31, 2022	**Regulatory Minimums**	**Capital Conservation Buffer**	**Total**
Risk-adjusted:					
Common equity tier 1 capital ratio	**17.0 %**	16.3 %	4.5 %	2.5 %	7.0 %
Tier 1 capital ratio	**17.6 %**	16.9 %	6.0 %	2.5 %	8.5 %
Total capital ratio	**17.6 %**	16.9 %	8.0 %	2.5 %	10.5 %
Permanent capital ratio	**17.6 %**	16.9 %	7.0 %	— %	7.0 %
Non-risk-adjusted:					
Tier 1 leverage ratio	**5.2 %**	5.2 %	4.0 %	1.0 %	5.0 %
UREE[1] leverage	**2.0 %**	2.3 %	1.5 %	— %	1.5 %

[1]Unallocated retained earnings and equivalents

If the capital ratios fall below the total requirements, including the buffer amounts, capital distributions (equity redemptions, dividends and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval. Protected participation certificates of $70 thousand were included in Capital Stock and Participation Certificates on the Statements of Changes in Shareholders' Equity as of March 31, 2023 and December 31, 2022.

NOTE 5

Employee Benefit Plans

We participate in Districtwide employee benefit plans. The funded status of the post-employment benefit plans is recorded at the District level.

District Components of Net Periodic Benefit Cost

(in thousands)	**Pension Benefits**		**Other Benefits**	
For the three months ended March 31,	**2023**	2022	**2023**	2022
Net periodic benefit cost:				
Service cost	**$5,476**	$6,626	**$31**	$45
Interest cost	**15,492**	9,051	**191**	114
Expected return on plan assets	**(17,439)**	(16,699)	**—**	—
Amortization of prior service credit	**(693)**	(690)	**—**	—
Amortization of net loss (gain)	**13,698**	12,079	**(397)**	(219)
Net periodic benefit cost	**$16,534**	$10,367	**$(175)**	$(60)

Certain employees in the AgriBank District participate in the AgriBank District Retirement Plan, a governmental defined benefit retirement plan. The employers contribute amounts in accordance with the governing body's funding policy to provide the plan with sufficient assets to meet the benefits to be paid to participants. Refer to the 2022 Annual Report for a more complete description of the Employee Benefit Plans.

For the three months ended March 31, 2023, District employers have contributed $15.0 million to fund pension benefits. District employers anticipate contributing an additional $33.9 million to fund pension benefits in 2023. The Plan Sponsor Committee of the AgriBank District Retirement Plan determines the funding frequency of the plan. The Nonqualified Pension plan is funded as benefits are paid.

NOTE 6

Commitments and Contingencies

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

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

While we are primarily liable for our portion of Systemwide bonds and notes, we are jointly and severally liable for the Systemwide bonds and notes of the other System Banks. The total bonds and notes of the System at March 31, 2023 was $397.7 billion.

NOTE 7

Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Assets and liabilities measured at fair value on a recurring and non-recurring basis consist of federal funds, securities purchased under resale agreements, investments available-for-sale, derivative assets and liabilities, certain loans, other property owned, and collateral assets and liabilities. The fair value is also calculated and disclosed for other financial instruments that are not measured at fair value on the Statements of Condition. These other financial instruments consist of cash, loans, bonds, and notes and commitments to extend credit and letters of credit. Refer to the 2022 Annual Report for descriptions of the valuation methodologies we use for asset and liabilities recorded at fair value on a recurring or non-recurring basis and for estimating fair value for financial instruments not recorded at fair value.

A fair value hierarchy is used for disclosure of fair value measurements to maximize the use of observable inputs. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. Refer to the 2022 Annual Report for a more complete description of these input levels.

Recurring Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

(in thousands)	Fair Value Measurement Using			Total Fair
As of March 31, 2023	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:				
Federal funds and securities purchased under resale agreements	**$—**	**$3,900,000**	**$—**	**$3,900,000**
Investments available-for-sale:				
Commercial paper and other	**$—**	**$8,035,867**	**$—**	**$8,035,867**
U.S. Treasury securities	**—**	**4,260,292**	**—**	**4,260,292**
Mortgage-backed securities	**—**	**6,201,269**	**—**	**6,201,269**
Asset-backed securities	**—**	**134,994**	**—**	**134,994**
Total investments available-for-sale	**—**	**18,632,422**	**—**	**18,632,422**
Cash collateral posted with counterparties	**78,009**	**—**	**—**	**78,009**
Derivative assets	**—**	**86,453**	**—**	**86,453**
Total assets	**$78,009**	**$22,618,875**	**$—**	**$22,696,884**
Liabilities:				
Cash collateral posted by counterparties	**$2,450**	**$—**	**$—**	**$2,450**
Derivative liabilities	**—**	**83,559**	**—**	**83,559**
Total liabilities	**$2,450**	**$83,559**	**$—**	**$86,009**

(in thousands)	Fair Value Measurement Using			Total Fair
As of December 31, 2022	Level 1	Level 2	Level 3	Value
Assets:				
Investments available-for-sale:				
Commercial paper and other	$—	$8,318,423	$—	$8,318,423
U.S. Treasury securities	—	5,669,274	—	5,669,274
Mortgage-backed securities	—	5,962,719	—	5,962,719
Asset-backed securities	—	143,507	—	143,507
Total investments available-for-sale	—	20,093,923	—	20,093,923
Cash collateral posted with counterparties	56,504	—	—	56,504
Derivative assets	—	114,582	—	114,582
Total assets	$56,504	$20,208,505	$—	$20,265,009
Liabilities:				
Cash collateral posted by counterparties	$7,280	$—	$—	$7,280
Derivative liabilities	—	85,784	—	85,784
Total liabilities	$7,280	$85,784	$—	$93,064

We had no level 3 assets measured at fair value on a recurring basis at March 31, 2023 or December 31, 2022.

Non-Recurring Measurements

Certain loans are individually evaluated for credit losses and are deemed to be collateral dependent. The carrying value amount of these loans is based on the estimated value of the underlying collateral, less costs to sell. When the fair value of the collateral, less costs to sell, is less than the amortized cost basis of the loan, a specific allowance for expected credit losses is established. Costs to sell represent transaction costs and are not included as a component of the collateral's estimated fair value. Typically, the process

requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters and, therefore, are classified as Level 3 fair value measurements.

We had $19.1 million and $21.4 million of collateral dependent loans measured at fair value on a non-recurring basis at March 31, 2023 and December 31, 2022, respectively.

Other Financial Instrument Measurements

Financial Instruments Not Measured at Fair Value on the Statements of Condition

(in thousands) **As of March 31, 2023**	**Total Carrying Amount**	**Fair Value Measurement Using**			**Total Fair Value**
		Level 1	**Level 2**	**Level 3**	
Assets:					
Cash	**$1,293,480**	**$1,293,480**	**$—**	**$—**	**$1,293,480**
Net loans	**134,013,353**	**—**	**—**	**126,257,096**	**126,257,096**
Total assets	**$135,306,833**	**$1,293,480**	**$—**	**$126,257,096**	**$127,550,576**
Liabilities:					
Bonds and notes	**$150,941,511**	**$—**	**$—**	**$142,849,671**	**$142,849,671**
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		**$—**	**$—**	**$(2,111)**	**$(2,111)**

(in thousands) As of December 31, 2022	Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	$1,356,976	$1,356,976	$—	$—	$1,356,976
Net loans	133,418,675	—	—	123,867,470	123,867,470
Total assets	$134,775,651	$1,356,976	$—	$123,867,470	$125,224,446
Liabilities:					
Bonds and notes	$148,228,998	$—	$—	$138,225,184	$138,225,184
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		$—	$—	$(2,279)	$(2,279)

NOTE 8

Derivative and Hedging Activity

Use of Derivatives

We maintain an overall interest rate risk management strategy that incorporates the use of derivative products to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Our goals are to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that movements in interest rates do not adversely affect net interest margin. As a result of interest rate fluctuations, fixed-rate liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by our gains or losses on the derivative instruments that are linked to fixed-rate liabilities. Another result of interest rate fluctuations is that the interest expense of floating-rate liabilities will increase or decrease. The effect of this variability in earnings is expected to be substantially offset by our gains and losses on the derivative instruments that are linked to these floating-rate liabilities. We consider the use of derivatives to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk posed by changes in interest rates.

All of our derivative activities are monitored by the Asset/Liability Committee (ALCO) as part of the committee's oversight of our asset/liability and treasury functions. ALCO ensures that the Bank's derivative hedging strategies are implemented in line with the board's risk appetite and are incorporated into our overall asset/liability risk-management framework.

Interest Rate Risk Management
We primarily enter into derivative transactions, particularly interest rate swaps, to reduce funding costs, improve liquidity and manage interest rate sensitivity. Interest rate swaps allow us to change the characteristics of fixed- or floating-rate debt we issue by swapping to a synthetic fixed or floating rate lower than those available to us if borrowings were made directly. Under interest rate swap arrangements, we agree with other parties to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating-rate index.

Other Derivative Uses
Other uses for derivatives are as follows:

- We also facilitate interest rate swaps to qualified borrowers of the District Associations. These swaps allow qualified borrowers to manage their interest rate risk and lock in a fixed interest rate similar to a fixed-rate loan. We manage the interest rate risk from customer swaps with the execution of offsetting interest rate swap transactions.
- We may utilize commodity derivative instruments to manage mineral income volatility. We may purchase commodity put options to protect against a decline in oil prices, which could significantly impact our mineral income. We had put option contracts with a total notional of 110 thousand barrels of oil as of December 31, 2022, which are not included in the table below. There were no commodity derivative instruments outstanding as of March 31, 2023.

Derivative Instruments Activity (in notional amount)

(in millions)	Receive-Fixed Swaps	Pay-Fixed Swaps	Floating-for-Floating	Other Derivatives	Total
As of December 31, 2021	$900	$5,542	$1,400	$142	$7,984
Additions	—	800	—	—	800
Maturities/amortization	—	(3,272)	—	(21)	(3,293)
As of March 31, 2022	$900	$3,070	$1,400	$121	$5,491
As of December 31, 2022	$3,526	$4,865	$3,800	$120	$12,311
Additions	**1,050**	**1,125**	**—**	**—**	**2,175**
Maturities/amortization	**—**	**(2,252)**	**(400)**	**(2)**	**(2,654)**
As of March 31, 2023	**$4,576**	**$3,738**	**$3,400**	**$118**	**$11,832**

Other Derivatives consisted of retail customer derivative products.

Credit Risk Management
By using derivative instruments, we are subject to credit and market risk. If a counterparty is unable to perform under a derivative contract, our credit risk equals the net amount due to us. Generally, when the fair value of a derivative contract is positive, we have credit exposure to the counterparty, creating credit risk for us. When the fair value of the derivative contract is negative, we do not have credit exposure.

With the exception of retail customer swaps, to minimize the risk of credit losses, we deal only with counterparties that have an investment-grade or better credit rating from a rating agency, and we monitor the credit standing and levels of exposure to individual counterparties. As of March 31, 2023, we do not anticipate nonperformance by any of these counterparties. We typically enter into master agreements that contain netting provisions. These provisions allow us to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts. All such derivative contracts are supported by bilateral collateral agreements with counterparties requiring collateral to be posted in the event certain dollar thresholds of exposure of one party to the other are reached. These thresholds vary depending on the counterparty's current credit rating.

Bilateral Derivatives

(in thousands)	March 31, 2023	December 31, 2022
Notional amount[1]	**$3,968,566**	$4,370,313
Cash collateral posted by counterparties	**(2,450)**	(7,280)
Securities posted by counterparties	**(5,562)**	(4,714)
Total collateral posted by counterparties, net	**$(8,012)**	$(11,994)

[1] Excludes notional amount for commodity hedges

We also clear derivative transactions through a futures commission merchant (FCM) with a clearinghouse or a central counterparty (CCP). When the swap is cleared by the two parties, the single bilateral swap is divided into two separate swaps with the CCP becoming the counterparty to both of the initial parties to the swap. CCPs have several layers of protection against default including margin, member capital contributions and FCM guarantees of their customers' transactions with the CCP. FCMs also pre-qualify the counterparties to all swaps that are sent to the CCP from a credit perspective, setting limits for each counterparty and collecting initial and variation margin daily from each counterparty for changes in the value of cleared derivatives. The margin collected from both parties to the swap protects against credit risk in the event a counterparty defaults. The initial and variation margin requirements are set by and held for the benefit of the CCP. Additional initial margin may be required and held by the FCM, due to its guarantees of its customers' trades with the CCP. Typically, daily variation margin payments are recognized as settlements rather than collateral posted. Initial margin requirements consider volume of notional outstanding, duration of outstanding derivatives and market volatility.

Centrally Cleared Derivatives

(in thousands)	March 31, 2023	December 31, 2022
Notional Amount	**$7,863,566**	$7,940,313
Initial margin posted with counterparties	**$78,009**	$56,504

Accounting for Derivatives

Fair Value Hedges: For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings. We include the gain or loss on the derivative in the same line item ("Interest expense") on the Statements of Comprehensive Income as the offsetting gain or loss on the related hedged item.

Cash Flow Hedges: For derivative instruments that are designated and qualify as a cash flow hedge, the gain or loss on the derivative is reported as a component of "Other comprehensive income (loss)" until earnings are affected by the variability of the cash flows of the hedged transaction. When reclassified to earnings, we include the gain or loss on the derivative in the "Interest expense" line item on the Statements of Comprehensive Income.

Derivatives not Designated as Hedges: For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings in "Other non-interest income, net" on the Statements of Comprehensive Income.

Financial Statement Impact of Derivatives

The fair value of our derivative contracts are presented as "Derivative assets" and "Derivative liabilities" on the Statements of Condition.

(in thousands)	March 31, 2023 Fair Value Assets	March 31, 2023 Fair Value Liabilities	December 31, 2022 Fair Value Assets	December 31, 2022 Fair Value Liabilities
Derivatives designated as hedging instruments:				
Receive-fixed swaps	**$14,658**	**$53,985**	$—	$72,410
Pay-fixed swaps	**55,803**	**33,828**	99,449	2,927
Floating-for-floating swaps	**7,005**	**20**	15,743	45
Total derivatives designated as hedging instruments	**77,466**	**87,833**	115,192	75,382
Derivatives not designated as hedging instruments:				
Pay-fixed swaps	**9,305**	**17**	11,612	—
Other derivative products	**62**	**8,173**	29	10,402
Total derivatives not designated as hedging instruments	**9,367**	**8,190**	11,641	10,402
Variation margin settled	**—**	**(12,464)**	(12,019)	—
Credit valuation adjustments	**(380)**	**—**	(232)	—
Total gross amounts of derivatives	**$86,453**	**$83,559**	$114,582	$85,784

(in thousands)	March 31, 2023	December 31, 2022
Derivative assets	**$86,453**	$114,582
Derivative liabilities	**(83,559)**	(85,784)
Accrued interest payable on derivatives, net	**(5,994)**	(733)
Gross amounts not offset in Statements of Condition:		
Cash collateral posted by counterparties	**(2,450)**	(7,280)
Cash collateral posted with counterparties	**78,009**	56,504
Securities posted as collateral pledged by counterparties	**(5,562)**	(4,714)
Net exposure amounts	**$66,897**	$72,575

The fair value of derivatives includes a credit valuation adjustment (CVA). The CVA reflects credit risk of each derivative counterparty to which we have exposure, net of any collateral posted by the counterparty, and an adjustment for our credit worthiness where the counterparty has exposure to us. The CVA was not material in any of the periods presented. The change in the CVA for the period is included in "Interest expense" on the Statements of Comprehensive Income.

In relation to our cash flow hedges, the following table presents the amount of other comprehensive income (OCI) recognized on derivatives and the amount reclassified from accumulated other comprehensive income (AOCI) into earnings on effective cash flow hedges. During the next 12 months, $21.3 million of net gains in AOCI on derivative instruments that qualified as cash flow hedges are expected to be reclassified into earnings.

Cash Flow Hedging Relationships

(in thousands) **For the three months ended March 31, 2023**	**Amount of Loss Recognized in OCI on Derivatives**	**Amount of Gain (Loss) Reclassified from AOCI into Income**
Pay-fixed swaps	**$(65,592)**	**$3,741**
Floating-for-floating swaps	**(9,978)**	**(1,266)**
Total	**$(75,570)**	**$2,475**

(in thousands) For the three months ended March 31, 2022	Amount of Gain Recognized in OCI on Derivatives	Amount of Loss Reclassified from AOCI into Income
Pay-fixed swaps	$32,305	$(8,479)
Floating-for-floating swaps	1,967	(244)
Total	$34,272	$(8,723)

The following table shows the effect of fair value and cash flow hedge accounting as well as economic hedges on the Statements of Comprehensive Income for the three months ended March 31, 2023.

(in thousands)	**Other non-interest income, net**		**Interest Expense**	
For the three months ended March 31,	**2023**	2022	**2023**	2022
Total amount of income and expense line items presented in the Statements of Comprehensive Income in which the effects of the fair value, cash flow and economic hedges are recorded:	**$1,731**	$1,293	**$1,053,524**	$316,074
Asset and Liability Management Positions				
Fair value hedges:				
Interest rate derivatives	**—**	—	**(32,936)**	24,705
Bonds and notes	**—**	—	**32,596**	(24,780)
Cash flow hedges:				
Interest rate derivatives	**—**	—	**(2,475)**	8,723
Economic hedges:				
Interest rate derivatives	**(63)**	98	**—**	—
Commodity derivatives	**—**	(871)	**—**	—

Note: We do not exclude components from effectiveness testing for fair value or cash flow hedges.

The following table shows the cumulative hedging adjustment (fair value adjustment) for fair value hedges that are included in the carrying amount of the hedged assets (liabilities):

	Carrying Amount of the Hedged Item		**Cumulative Fair Value Adjustment Included in the Carrying Amount of the Hedged Item**	
(in thousands)	**March 31, 2023**	December 31, 2022	**March 31, 2023**	December 31, 2022
Line Item on the Statements of Condition				
Bonds and notes	**$4,531,317**	$3,448,815	**$(39,955)**	$(72,551)

Note: AgriBank did not have any material hedging adjustments for discontinued fair value hedges.

NOTE 9

Accumulated Other Comprehensive Loss

Changes in Components of Accumulated Other Comprehensive Income (Loss)

(in thousands)	Investment securities activity	Derivatives and Hedging Activity	Employee Benefits Activity	Total
Balance at December 31, 2021	$(78,338)	$(130,663)	$(1,954)	$(210,955)
Other comprehensive (loss) income before reclassifications	(394,526)	34,272	—	(360,254)
Amounts reclassified from accumulated other comprehensive loss	361	8,723	59	9,143
Net other comprehensive (loss) income	(394,165)	42,995	59	(351,111)
Balance at March 31, 2022	$(472,503)	$(87,668)	$(1,895)	$(562,066)
Balance at December 31, 2022	$(925,758)	$58,824	$(1,696)	$(868,630)
Other comprehensive income (loss) before reclassifications	**129,474**	**(75,570)**	**—**	**53,904**
Amounts reclassified from accumulated other comprehensive loss	**—**	**(2,475)**	**45**	**(2,430)**
Net other comprehensive income (loss)	**129,474**	**(78,045)**	**45**	**51,474**
Balance at March 31, 2023	**$(796,284)**	**$(19,221)**	**$(1,651)**	**$(817,156)**

The derivatives and hedging activity and employee benefit activity reclassified from AOCI is included in "Interest expense" and "Other operating expenses" respectively, on the Statements of Comprehensive Income. Investments activity reclassified from AOCI is included in "Other non-interest income, net" on the Statements of Comprehensive Income.

NOTE 10

Subsequent Events

We have evaluated subsequent events through May 8, 2023, which is the date the Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in the Quarterly Financial Statements or disclosure in the Notes to those Financial Statements.

NOTE 11

AgriBank and District Associations

The accompanying Financial Statements exclude financial information of District Associations. AgriBank and District Associations are collectively referred to as the “District.” We separately publish certain unaudited combined AgriBank District financial information, including a condensed statement of condition and statement of income, which can be found on our website at www.AgriBank.com.

Effective April 1, 2023, two of our District Associations, Farm Credit Midsouth, ACA and Farm Credit Mid-America, ACA merged and are doing business as Farm Credit Mid-America, ACA, headquartered in Louisville, Kentucky.

Additional Regulatory Information

AgriBank, FCB

(Unaudited)

Regulatory Capital Disclosures

The following information contains quarterly regulatory disclosures as required under FCA Regulations 628.62 and 628.63 for risk-adjusted ratios, common equity tier 1, tier 1 capital and total capital ratios. Refer to Note 4 of the accompanying Financial Statements for information regarding the statutorily required permanent capital ratio. These disclosures should be read in conjunction with our 2022 Annual Report, which includes additional qualitative disclosures. Unless otherwise noted, there have been no material changes to the qualitative disclosures contained in the 2022 Annual Report. As required by FCA regulations, these disclosures, including regulatory capital ratios, are made available for at least three years and can be accessed in our financial reports at www.AgriBank.com.

The following table summarizes the interim disclosure requirements and indicates where each matter is disclosed in this quarterly report.

Disclosure Requirement	Description	First Quarter 2023 Report Reference
Scope of Application	Corporate entity and consolidated subsidiaries	42
Capital Structure	Regulatory capital components	42
Capital Adequacy	Risk-weighted assets Regulatory capital ratios	43
Capital Buffers	Quantitative disclosures	43
Credit Risk	Summary of exposures Geographic distribution Additional industry and counterparty distribution Contractual maturity Impaired loans and allowance for credit losses	44-45
Counterparty Credit Risk-Related Exposures	Counterparty exposures	45-46
Credit Risk Mitigation	Exposures with reduced capital requirements	46
Securitization	Securitization exposures	46-47
Equities	Equity exposures	47
Interest Rate Risk for Non-trading Activities	Interest rate sensitivity	47-48

Scope of Application

The AgriBank District is composed of Agricultural Credit Associations, each of which has wholly owned Farm Land Credit Association and Production Credit Association subsidiaries. AgriBank is primarily owned by these Farm Credit Associations. AgriBank is the primary funding source for all District Associations. AgriBank has no subsidiaries; therefore, the Financial Statements are only those of AgriBank and are not consolidated with any other entity.

Capital Structure

Regulatory Capital Structure

(in thousands) **As of March 31, 2023**	**3-month Average Daily Balance**
Common Equity Tier 1 Capital (CET1)	
Common Cooperative Equities:	
Statutory minimum purchased borrower stock	**$22**
Other required member purchased stock	**2,665,205**
Allocated equities:	
Allocated stock subject to retirement	**2,001,765**
Qualified allocated equities subject to retirement	—
Nonqualified allocated equities subject to retirement	—
Nonqualified allocated equities not subject to retirement	—
Unallocated retained earnings	**3,204,447**
Paid-in capital	—
Regulatory adjustments and deductions made to CET1	**(10,598)**
Total CET1	**$7,860,841**
Tier 1 Capital	
Non-cumulative perpetual preferred stock	**$250,000**
Regulatory adjustments and deductions made to tier 1 capital	—
Total additional tier 1 capital	**250,000**
Total Tier 1 Capital	**$8,110,841**
Total Capital	
Common Cooperative Equities not included in CET1	**$—**
Subordinated debt	—
Adjusted allowance for credit losses[1]	**24,076**
Regulatory adjustments and deductions made to total capital	—
Total tier 2 capital	**24,076**
Total Capital	**$8,134,917**

[1] Adjusted allowance for credit losses includes the allowance for credit losses on loans and reserves for credit losses on unfunded commitments.

Capital Adequacy and Capital Buffers

Risk-Weighted Assets

(Risk-weighted 3-month average daily balance in thousands)

As of March 31, 2023	
Exposures to:	
Sovereign entities	**$—**
Foreign bank entities	**726,325**
Government-sponsored enterprises[1]	**25,220,330**
Depository institutions and credit unions[2]	**81,805**
Public sector entities	**—**
Corporate, including borrower loans	**18,316,031**
Residential mortgage	**1,225,823**
Past due and nonaccrual	**73,983**
Securitization exposures	**276,322**
Cleared transactions	**500**
Unsettled transactions	**—**
All other assets	**231,193**
Deductions:	
Regulatory adjustments and deductions made to CET1	**10,598**
Regulatory adjustments and deductions made to AT1[3]	**—**
Regulatory adjustments and deductions made to T2[4]	**—**
Total standardized risk-weighted assets	**$46,141,714**

[1] Includes exposures to Farm Credit System entities

[2] Includes exposures to Loans to other financing institutions (OFIs) that are risk-weighted as U.S. depository institutions and credit unions

[3] AT1 capital is additional tier 1 capital

[4] T2 is tier 2 capital

As of March 31, 2023, the Bank was well-capitalized and exceeded all capital requirements to which it was subject, including applicable capital buffers. Because capital exceeded the buffer requirements, the Bank currently has no limitations on its distributions and discretionary bonus payments. The aggregate amount of eligible retained income, as regulatorily calculated, was $838.7 million as of March 31, 2023.

Regulatory Capital Requirements and Ratios

	Regulatory Minimums	**Required Buffer**	**As of March 31, 2023**	**Calculated Buffer**
Common equity tier 1 capital ratio	4.5 %	2.5 %	**17.0 %**	**12.5 %**
Tier 1 capital ratio	6.0 %	2.5 %	**17.6 %**	**11.6 %**
Total capital ratio	8.0 %	2.5 %	**17.6 %**	**9.6 %**
Capital conservation buffer				**9.6 %**
Tier 1 leverage ratio	4.0 %	1.0 %	**5.2 %**	**1.2 %**
Leverage buffer				**1.2 %**

Credit Risk

The adoption of CECL effective January 1, 2023 provided substantial revisions to GAAP including the removal of the concept of impaired loans. GAAP now requires specific disclosures related to nonaccrual and loans past due greater than 90 days. Refer to Note 2 of the accompanying Financial Statements for accounting policy updates as a result of the adoption of CECL.

Refer to Note 2 of the accompanying Financial Statements for amounts of nonaccrual loans without related allowance, loans in nonaccrual status and greater than 90 days past due, loans past due greater than 90 days and still accruing, the allowance at the end of each reporting period, charge-offs during the period, and changes in components of our allowance for credit losses. The allowance for credit losses is determined individually or by a pooled approach for loans that share similar risk characteristics, including, but not limited to, probability of default (PD) and loss given default (LGD). Allowance needs by geographic region are only considered in rare circumstances, for example flooding, drought, etc., that may not otherwise be reflected in the PD and LGD. There was no allowance attributed to a geographic area as of March 31, 2023. Refer to Note 3 for a summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type. All nonaccrual loans, past-due loans and allowance are within our retail portfolio. The retail portfolio is substantially concentrated in our chartered territory and has not changed significantly since December 31, 2022.

Refer to the Capital Adequacy and Capital Buffers section for information regarding types of credit risk exposures.

Credit Exposures - Lending and Investments

(in thousands) **As of March 31, 2023**	End of Period	3-month Average Daily Balance
Loans	**$134,050,353**	**$132,553,997**
Investments[1]	**22,532,422**	**21,383,637**
Loan and other commitments	**28,276,071**	**29,564,584**
Letters of credit	**155,593**	**155,117**

[1] Includes federal funds and securities purchased under resale agreements

Credit Exposures - Derivatives

	End of Period		3-month Average Daily Balance	
(in thousands) **As of March 31, 2023**	Notional Amount	Gross Positive Value	Notional Amount	Gross Positive Value
Cleared derivatives	**$7,863,566**	**$—**	**$7,313,795**	**$—**
Bilateral derivatives	**3,968,566**	**18,097**	**4,104,109**	**27,556**

Exposures by Final Contractual Maturity

(in thousands) **As of March 31, 2023**	One Year or Less	Over One Year but Less than Five Years	Five Years or More	Total
Wholesale loans	**$—**	**$121,173,989**	**$—**	**$121,173,989**
Retail loans[1]	**2,692,031**	**5,532,149**	**5,718,688**	**13,942,868**
Investments[2]	**14,689,283**	**1,783,313**	**6,059,826**	**22,532,422**
Wholesale loan commitments	**1,000**	**24,002,841**	**—**	**24,003,841**
Retail loan and other commitments [3]	**3,029,638**	**1,110,547**	**132,045**	**4,272,230**
Cleared derivative notional	**2,150,000**	**3,567,805**	**2,145,761**	**7,863,566**
Bilateral derivative notional	**2,500,000**	**892,805**	**575,761**	**3,968,566**

(1) Includes loans to OFIs and service entities

(2) Includes federal funds and securities purchased under resale agreements

(3) Includes commitments to OFIs and service entities

Note: Accruing loans include accrued interest receivable.

Loan and Commitment Geographic Distribution

As of March 31, 2023

Wholesale Portfolio		Retail Portfolio	
Iowa	**10 %**	Minnesota	**12 %**
Illinois	**9 %**	Illinois	**11 %**
Nebraska	**7 %**	Nebraska	**8 %**
Minnesota	**7 %**	Indiana	**7 %**
Indiana	**6 %**	Ohio	**6 %**
Michigan	**6 %**	Iowa	**6 %**
Wisconsin	**5 %**	Tennessee	**6 %**
Ohio	**5 %**	Wisconsin	**5 %**
South Dakota	**5 %**	Other	**39 %**
Other	**40 %**		
Total	**100 %**	Total	**100 %**

Wholesale loan and commitment portfolio distribution is based on the underlying District Associations' retail portfolios. For additional information regarding the geographic distribution of the retail loans held at District Associations, refer to the 2022 Annual Report. Current period distribution has not materially changed from December 31, 2022.

Loan and Commitment Commodity Distribution

As of March 31, 2023

Retail Portfolio	
Crops	**59 %**
Cattle	**9 %**
Loans to OFIs	**5 %**
Other	**22 %**
Total	**100 %**

Counterparty Credit Risk and Credit Risk Mitigation

Credit Risk Mitigation Related to Derivatives
Refer to the Derivative Financial Instruments section in the Management's Discussion and Analysis and Note 8 of the accompanying Financial Statements for more information on credit risk mitigation related to derivatives.

We have not entered into any credit default swap agreements to mitigate our credit exposure to counterparties. Refer to Note 8 of the accompanying Financial Statements for the gross positive fair value of contracts, collateral held and the net unsecured credit exposure. The derivative portfolio is not covered by guarantees.

Current credit exposure is the greater of $0 or the fair market value of a single derivative contract. The net current credit exposure is the greater of the net sum of all positive and negative fair market value of the individual derivative contracts subject to the qualifying master netting agreement or $0. The net current credit exposure is equal to the gross positive fair values as disclosed in Credit Exposures - Derivatives table above.
Credit Risk Mitigation Related to Loans
Financial collateral is not used to mitigate credit risk in our loan portfolio.

Loan and Commitment Exposures Covered by Guarantees

(in thousands) **As of March 31, 2023**	**3-month Average Daily Balance**	**Risk-weighted 3-month Average Daily Balance**
Unconditionally guaranteed		
Loans	**$178**	**$—**
Conditionally guaranteed		
Loans	**$20,602**	**$4,120**
Total	**$20,780**	**$4,120**

Credit Risk Mitigation Related to Investments
Financial collateral is not used to mitigate credit risk in our investment portfolio.

Investment Exposures Covered by Guarantees

(in thousands) **As of March 31, 2023**	**3-month Average Daily Balance**	**Risk-weighted 3-month Average Daily Balance**
Unconditionally guaranteed	**$11,498,340**	**$—**
Conditionally guaranteed	**1,598,627**	**319,725**
Total	**$13,096,967**	**$319,725**

Credit risk in our investment portfolio is largely mitigated by investing primarily in securities issued or guaranteed by the U.S. government or one of its agencies. Credit risk in our investment portfolio primarily exists in investment securities that are not guaranteed by the U.S. government or one of its agencies, which include our certificates of deposit, commercial paper, non-agency mortgage-backed securities and asset-backed securities, all of which were of high credit quality and met eligibility requirements as of March 31, 2023.

Securitization

For the three months ended March 31, 2023, we did not hold any off-balance sheet securitization exposures, retain any resecuritization exposures, nor were any securitization exposures deducted from capital.

Securitization Exposures

(3-month average daily balance in thousands) **As of March 31, 2023**	**Exposure**	**Weighted average risk-weight factor**	**Risk-weighted assets**
Gross up risk weight bands:			
100%	**$23,096**	**100%**	**$23,096**
> 100% and < 1,250%	**117,707**	**215%**	**253,226**
1250%	**—**	**1250%**	**—**
Total risk-weighted securitization assets	**$140,803**	**196%**	**$276,322**

Equities

We are a limited partner in certain Rural Business Investment Companies (RBICs) for various relationship and strategic reasons. These are not publicly traded, and the book value approximates fair value. There have been no sales or liquidations of these investments during the period. As of March 31, 2023, all RBICs were accounted for under the equity method; therefore, no unrealized gains (losses) exist for the exposure. Further, we do not believe any significant latent revaluation gains (losses) exist for these exposures. No RBIC exposures are included in tier 1 or tier 2 capital.

Equity Investments included in Capital Ratios

(in thousands) **As of March 31, 2023**	**Disclosed in Other Assets**	**Life-to-Date losses recognized in Retained Earnings(1)**
RBIC	**$27,283**	**$4,137**

(1) Retained earnings is included in common equity tier 1, tier 1 and total capital ratios

Interest Rate Risk

Our policies establish a maximum variance from our base case in a plus or minus 200 basis point change in rates, except when the U.S. Treasury three-month rate is below 4 percent, at which time the minus scenario is limited to one-half of the U.S. Treasury three-month rate. Due to interest rate levels as of March 31, 2023, the down scenario was not limited.

NII Sensitivity Analysis

	Basis Point Interest Rate Change			
As of March 31, 2023	**Down 200**	**Down 100**	**Up 100**	**Up 200**
Immediate Change (Shock):				
NII sensitivity	**(3.1)%**	**(1.0)%**	**0.8 %**	**1.0 %**
Board policy	**(15.0)%**			**(15.0)%**
Gradual Change (Ramp):				
NII sensitivity			**0.1 %**	**0.0 %**

Economic Value of Equity (EVE) Sensitivity Analysis

	Basis Point Interest Rate Change			
As of March 31, 2023	**Down 200**	**Down 100**	**Up 100**	**Up 200**
Immediate Change (Shock):				
EVE sensitivity	**9.6 %**	**3.9 %**	**(2.9)%**	**(5.2)%**
Board policy	**(12.0)%**			**(12.0)%**

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