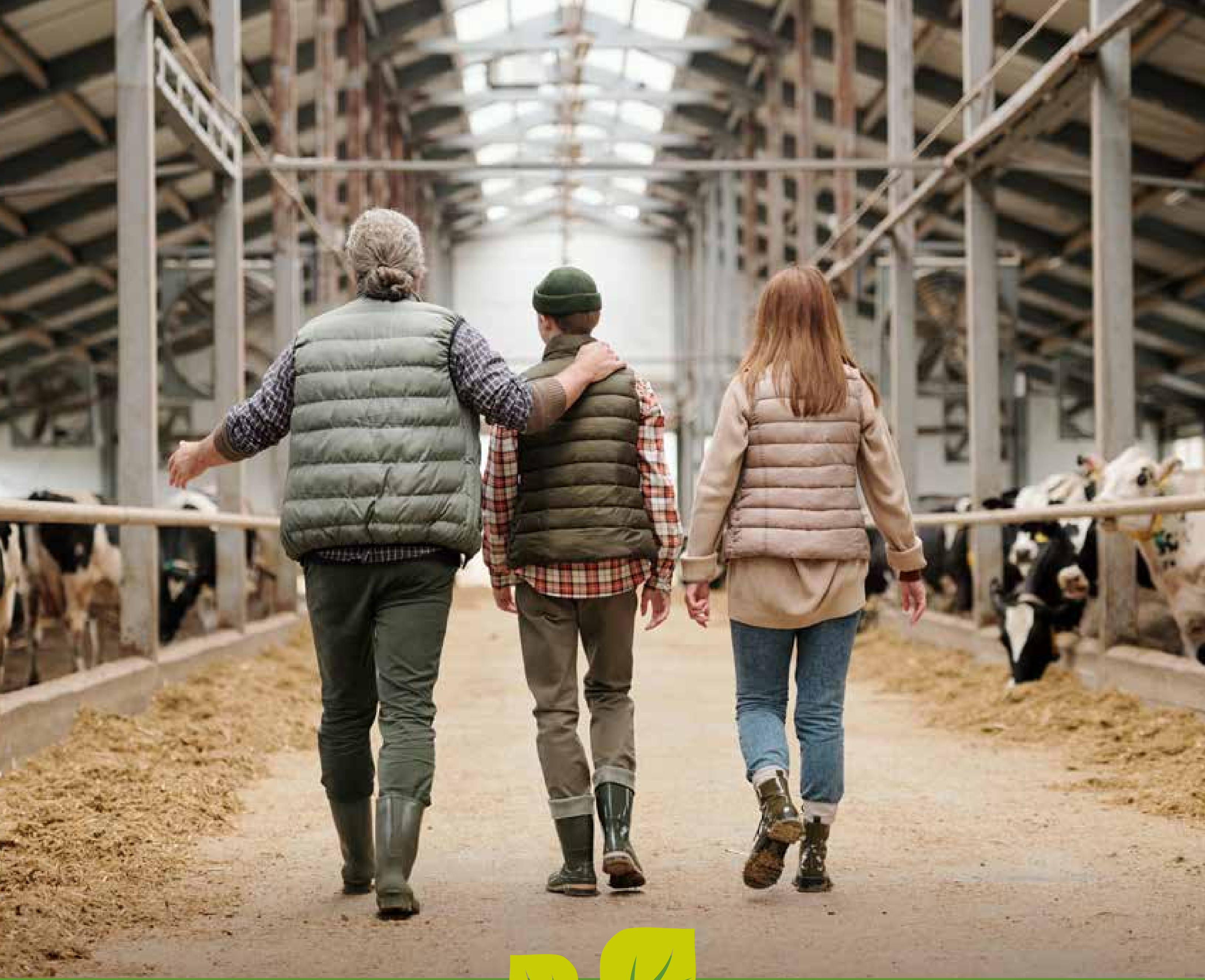

# **Your** Funding Bank

People. Partnerships. Solutions.

AGRIBANK DISTRICT 2023 FINANCIAL INFORMATION

*Unaudited*

MARCH 31, 2023

AGRIBANK, FCB and DISTRICT ASSOCIATIONS

AgriBank

FARM CREDIT BANK

**AgriBank District Financial Information**
**AgriBank, FCB and District Associations**
***unaudited***

## INTRODUCTION AND DISTRICT OVERVIEW

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

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

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

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

**Combined Financial Highlights**

AgriBank, FCB and District Associations

*(dollars in thousands)*

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Total loans | **$151,467,320** | $152,142,301 |
| Allowance for loan losses | **331,961** | 320,963 |
| Net loans | **151,135,359** | 151,821,338 |
| Total assets | **181,775,962** | 179,360,653 |
| Total shareholders' equity | **28,621,471** | 28,078,287 |

| **For the three months ended March 31,** | **2023** | 2022 |
|---|---|---|
| Net interest income | **$1,090,946** | $942,961 |
| Provision for credit losses | **79,104** | (39,390) |
| Net fee income | **21,898** | 21,972 |
| Net income | **630,883** | 641,508 |
| Net interest margin | **2.5 %** | 2.4 % |
| Return on average assets | **1.4 %** | 1.6 % |
| Return on average shareholders' equity | **9.0 %** | 9.5 % |
| Operating and other expenses as a percentage of net interest income and non-interest income | **38.8 %** | 39.9 % |
| Net loan recoveries (charge-offs) as a percentage of average loans | **0.00 %** | 0.01 % |
| Average loans | **$150,782,194** | $140,383,046 |
| Average earning assets | **175,420,746** | 161,854,642 |
| Average assets | **179,589,840** | 164,736,292 |

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Results of Operations

Net income was $630.9 million for the three months ended March 31, 2023, a decrease of $10.6 million, or 1.7 percent, compared to the same period of the prior year. Net interest income increased and was positively impacted by widening credit spreads on the investment portfolio. The recognition of provision for credit losses in the current year was isolated to a few largely participated credits, while overall agricultural conditions remain favorable. Non-interest income increased slightly, primarily as a result of gains on RBIC equity investments when compared to losses in the same period of the prior year. The increase in non-interest expense was primarily due to higher salaries and higher FCSIC insurance premiums.

**Net Interest Income**
Net interest income increased $148.0 million, or 15.7 percent, compared to the same period of the prior year, primarily driven by the widening of credit spreads. Additionally, the positive impact of higher loan volume on net interest income was substantially offset by compressed spreads, compared to the same period of the prior year, reflecting the competitive environment.

Overall, interest rate spreads across the District loan portfolio have decreased compared to the same period of the prior year. With interest rates and callable debt spreads remaining elevated into 2023, opportunities to call and refinance debt has declined and conversions within the loan portfolio have also diminished. Competitive market pressures in a rising interest rate environment have compressed interest rate spreads on all loan portfolios; however, AgriBank has implemented temporary pricing changes in an effort to combat this competitive pressure for District Associations.

Offsetting the impact of loan portfolio spreads, were widening credit spreads positively impacting the investment portfolio. Market opportunities and increased holdings in money market securities with favorable spreads have led to a year-over-year improvement in investment spread income.

Net interest margin was 2.5 percent for the three months ended March 31, 2023, an increase when compared to the same period of the prior year. The favorable impact of equity financing from rising interest rates has more than offset the overall decline in spreads.

**Provision for Credit Losses**
Effective January 1, 2023, AgriBank and all District Associations adopted Accounting Standards Update (ASU) 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” Refer to the AgriBank and individual District Associations’ quarterly reports for specific information about the implementation. As a result of this accounting change, the provision for credit losses comprises the provision for credit losses on loans, unfunded commitments, and investment securities for all periods beginning in 2023. For additional information regarding the impact of the adoption of this guidance refer to the following Changes in Allowance for Credit Losses by Loan Type information.

There was $79.1 million of provision for credit losses recognized during the three months ended March 31, 2023. At the agricultural producer level, net farm income has remained strong and positive working capital positions continue to support high District credit quality. Favorable commodity prices have remained through the first quarter of 2023, and continue to have a generally positive impact on the crop, dairy and some livestock sectors, primarily hogs and poultry. Overall, District Associations saw only minor credit deterioration. However, a few largely participated credits in niche industries moved to nonaccrual during the quarter, resulting in specific reserves across many District entities which was the primary driver of the provision for credit losses during the three months ended March 31, 2023. The allowance analyses performed at District Associations generally reflect the favorable positions for large portions of the respective portfolios. The year-over-year fluctuations for the District’s provision for credit losses will be impacted by each institution’s relative exposure to agricultural sectors and the economic conditions in individual agricultural sectors. Further, the implementation of the Current Expected Credit Loss (CECL) model in 2023 will prohibit direct comparability year-over-year.

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

**Non-interest Income**
Non-interest income increased primarily due to net gains on Rural Business Investment Company investments compared to net losses in the same period of the prior year.

**Non-interest Expense**
Non-interest expense increased compared to the same period of the prior year. This was due to increased salaries and benefits expense, a result of an increased workforce and annual merit increases that went into affect during the first quarter of 2023. Additionally, 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 rate for all Farm Credit institutions from 16 basis points to 20 basis points. The change was applied retroactively to all of calendar year 2022.

**Loan Portfolio**

| District Loans by Loan Type | | |
|---|---|---|
| (in thousands) | **March 31, 2023** | December 31, 2022 |
| Real estate mortgage | **$81,249,536** | $81,922,794 |
| Production and intermediate-term | **29,043,815** | 32,877,711 |
| Agribusiness: | | |
| Loans to cooperatives | **2,086,251** | 1,660,824 |
| Processing and marketing | **22,180,860** | 20,255,157 |
| Farm-related businesses | **2,165,419** | 2,126,236 |
| Rural infrastructure: | | |
| Power | **3,722,341** | 2,867,872 |
| Communications | **3,568,419** | 3,347,274 |
| Water/Wastewater | **550,892** | 464,091 |
| Rural residential real estate | **2,624,577** | 2,635,874 |
| Agricultural export finance | **752,933** | 485,230 |
| Lease receivables | **305,949** | 296,771 |
| Loans to other financing institutions | **800,065** | 749,969 |
| Mission related investments | **2,416,263** | 2,452,498 |
| Total | **$151,467,320** | $152,142,301 |

District loans decreased $675.0 million, or 0.4 percent, from December 31, 2022. The decrease in total loans was primarily due to declines in the production and intermediate-term and real estate mortgage sectors, with some offsetting growth in agribusiness, power and communication loans. The decrease in production and intermediate-term loans, consistent with prior years, was a result of seasonal growth in December related to borrowers purchasing for the next year's production for tax-planning purposes, followed by repayments in January. To a lesser extent, higher crop yields and commodity prices have resulted in the pay downs of operating loans from the extra cash flow while the rise in short-term interest rates further slowed operating loan utilization across the District.

The decrease in real estate mortgage loans was a result of repayments outpacing new originations throughout the first quarter of 2023. The decline in origination and refinancing activity was largely due to the rising interest rate environment, affecting long-term borrowing for all District Associations. The higher rate environment during the quarter has tightened competition for many District Associations; however, temporary strategic changes in pricing from AgriBank have provided some relief.

Partially offsetting the overall decreases in the loan portfolio was continued strong growth in the agribusiness sector for many District Associations. Demand remains strong in this area and quarterly growth was primarily related to grain elevator clients in the capital markets business unit. Elevator clients financed within the sector have been purchasing grain at higher commodity prices and drawing on operating lines to do so.

Finally, the increase in rural infrastructure loans during the three months ended March 31, 2023 was primarily due to purchased participations from CoBank. The increase in power loans was due to continued opportunities in solar, wind and natural gas systems. Increasing market momentum around environmental investing, particularly renewables, has increased borrowing needs. Growth in communication loans across District Associations has been steady as a result of the continued surge in the investment in data, digitization and advanced fiber networks for rural build outs.

## Loan Quality

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

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

**District Loan Quality by Origination Year**

(in thousands)

| Balance as of March 31, 2023 | Acceptable | Special Mention | Substandard | Doubtful | Total by Year | Current Period Charge-offs |
|---|---|---|---|---|---|---|
| **2023** | **$5,763,554** | **$88,241** | **$66,109** | **$—** | **$5,917,904** | **$602** |
| **2022** | **26,146,722** | **386,587** | **173,327** | **6,918** | **26,713,554** | **421** |
| **2021** | **26,100,295** | **309,936** | **221,723** | **1,946** | **26,633,900** | **484** |
| **2020** | **19,901,697** | **196,123** | **387,501** | **392** | **20,485,713** | **282** |
| **2019** | **10,282,302** | **101,463** | **351,305** | **13** | **10,735,083** | **699** |
| **Prior** | **37,499,096** | **600,398** | **839,294** | **642** | **38,939,430** | **849** |
| **Revolving loans** | **20,834,410** | **503,221** | **437,545** | **5,559** | **21,780,735** | **121** |
| **Revolving converted to term loans** | **222,288** | **5,269** | **33,320** | **124** | **261,001** | **47** |
| **Total** | **$146,750,364** | **$2,191,238** | **$2,510,124** | **$15,594** | **$151,467,320** | **$3,505** |

Credit quality, net farm income and farm sector working capital remains strong into the first quarter of 2023, driven by favorable commodity prices in certain sectors. The District has also maintained disciplined origination standards supporting high quality loans. Substandard/Doubtful loans, collectively called adverse loans, are loans AgriBank and District Associations have identified as showing some credit weakness according to established credit standards. No loans were categorized as loss as of March 31, 2023 or December 31, 2022.

**Nonaccrual Loans**

| (in thousands) | March 31, 2023 | December 31, 2022 |
|---|---|---|
| **Nonaccrual Loans:** | | |
| Real estate mortgage | **$305,739** | $201,871 |
| Production and intermediate-term | **175,089** | 100,818 |
| Agribusiness | **220,444** | 94,060 |
| Rural infrastructure | **12,659** | 4,455 |
| Rural residential real estate | **10,534** | 10,859 |
| Other | **2,490** | 1,228 |
| Total nonaccrual loans | **$726,955** | $413,291 |

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

Nonaccrual loans increased at March 31, 2023 when compared to the prior year as the result of three large borrowers in the tree fruits, meat products and biofuels industries moving to nonaccrual during the first quarter. These three credits are broadly participated across the District.

In general, loan performance has been positively impacted by working capital and commodity prices.

**Aging Analysis of Loans**

| (in thousands)<br>**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 | Accruing Loans 90 Days or More Past Due |
|---|---|---|---|---|---|---|
| Real estate mortgage | **$135,725** | **$41,977** | **$177,702** | **$81,071,835** | **$81,249,537** | **$3,090** |
| Production and intermediate-term | **184,264** | **44,619** | **228,883** | **28,814,932** | **29,043,815** | **17,936** |
| Agribusiness | **127,354** | **2,815** | **130,169** | **26,302,362** | **26,432,531** | **—** |
| Rural infrastructure | **—** | **—** | **—** | **7,841,650** | **7,841,650** | **—** |
| Rural residential real estate | **7,746** | **3,808** | **11,554** | **2,613,023** | **2,624,577** | **819** |
| Other | **75,686** | **71,096** | **146,782** | **4,128,428** | **4,275,210** | **69,458** |
| Total | **$530,775** | **$164,315** | **$695,090** | **$150,772,230** | **$151,467,320** | **$91,303** |

| 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 | Accruing Loans 90 Days or More Past Due |
|---|---|---|---|---|---|---|
| Real estate mortgage | $129,765 | $34,505 | $164,270 | $82,673,321 | $82,837,591 | $625 |
| Production and intermediate-term | 108,572 | 28,763 | 137,335 | 33,203,528 | 33,340,863 | 1,990 |
| Agribusiness | 49,953 | 1,863 | 51,816 | 24,120,531 | 24,172,347 | — |
| Rural infrastructure | — | — | — | 6,697,686 | 6,697,686 | — |
| Rural residential real estate | 11,095 | 2,870 | 13,965 | 2,632,286 | 2,646,251 | 79 |
| Other | 126,395 | 146,669 | 273,064 | 3,747,102 | 4,020,166 | 145,826 |
| Total | $425,780 | $214,670 | $640,450 | $153,074,454 | $153,714,904 | $148,520 |

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

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

Overall, delinquencies at March 31, 2023 increased slightly, when compared to the year ended 2022. While delinquencies decreased in the other loan category, delinquencies increased in the production and intermediate-term sector due largely to the seasonal behavior of the crop inputs portfolio. However, the risk in this portfolio is significantly mitigated by recourse agreements with crop input dealers. Additionally, the three previously discussed large borrowers that moved to nonaccrual during the first quarter contributed to the increase.

The decrease in accruing loans 90 days or more past due at March 31, 2023, when compared to December 31, 2022, was largely due to the collection of $75 million of USDA guaranteed loans in the other category in the first quarter of 2023.

All of the loans within the other category, which were accruing loans 90 days or more past due as of March 31, 2023, were 100 percent secured by Federal Government guarantees.

Refer to the AgriBank and District Associations' quarterly reports for information regarding management's method for developing each entity's allowance for credit losses and information used for developing each entity's current estimate of expected credit losses.

**Changes in Allowance for Credit Losses by Loan Type**

| (in thousands) | Real Estate Mortgage | Production and Intermediate-Term | Agribusiness | Rural Infrastructure | Rural Residential Real Estate | Other | Total |
|---|---|---|---|---|---|---|---|
| **Allowance for loan losses:** | | | | | | | |
| Balance at December 31, 2022 | **$86,370** | **$92,404** | **$121,822** | **$14,184** | **$3,221** | **$2,962** | **$320,963** |
| Cumulative effect of change in accounting principle | **22,704** | **(47,260)** | **(43,277)** | **(4,183)** | **2,613** | **5,320** | **(64,083)** |
| Provision for credit losses | **2,457** | **29,799** | **41,998** | **1,372** | **37** | **1,212** | **76,875** |
| Loan recoveries | **299** | **1,338** | **43** | **—** | **31** | **—** | **1,711** |
| Loan charge-offs | **(107)** | **(2,551)** | **(207)** | **—** | **(37)** | **(603)** | **(3,505)** |
| Balance at March 31, 2023 | **$111,723** | **$73,730** | **$120,379** | **$11,373** | **$5,865** | **$8,891** | **$331,961** |
| **Allowance for unfunded commitments:** | | | | | | | |
| Balance at December 31, 2022 | **$4,413** | **$13,142** | **$10,289** | **$328** | **$—** | **$(19)** | **$28,153** |
| Cumulative effect of change in accounting principle | **(228)** | **(1,552)** | **7,361** | **977** | **98** | **184** | **6,840** |
| Provision for credit losses | **(733)** | **6,612** | **(3,720)** | **26** | **33** | **11** | **2,229** |
| Balance at March 31, 2023 | **$3,452** | **$18,202** | **$13,930** | **$1,331** | **$131** | **$176** | **$37,222** |

| (in thousands) | Real Estate Mortgage | Production and Intermediate-Term | Agribusiness | Rural Infrastructure | Rural Residential Real Estate | Other | Total |
|---|---|---|---|---|---|---|---|
| **Allowance for loan losses:** | | | | | | | |
| Balance at December 31, 2021 | $140,904 | $123,613 | $90,460 | $9,551 | $4,194 | $3,637 | $372,359 |
| Provision for credit losses | (15,251) | (23,369) | (154) | 273 | (310) | (579) | (39,390) |
| Loan recoveries | 362 | 6,391 | 87 | 188 | 45 | — | 7,073 |
| Loan charge-offs | (1,016) | (1,354) | — | — | (67) | — | (2,437) |
| Adjustment due to merger | (285) | (1,821) | (1,369) | (444) | — | (3) | (3,922) |
| Reclassification (to) from reserve for unfunded commitments* | — | 2,019 | — | — | — | — | 2,019 |
| Balance at March 31, 2022 | $124,714 | $105,479 | $89,024 | $9,568 | $3,862 | $3,055 | $335,702 |

## Investments

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

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

The majority of District investments carry a full faith and credit guarantee of the U.S. government or an implicit credit guarantee from its agencies. Therefore, AgriBank and District Associations have not recognized any allowances for credit losses on investments as of March 31, 2023.

**Investment Information**

| (in thousands) | Amortized | Unrealized | Unrealized | Fair |
|---|---|---|---|---|
| **As of March 31, 2023** | **Cost** | **Gains** | **Losses** | **Value** |
| AgriBank investments | **$19,428,706** | **$3,215** | **$799,499** | **$18,632,422** |
| District Association investments | **3,762,500** | **3,831** | **192,397** | **3,573,934** |
| Total District investments | **$23,191,206** | **$7,046** | **$991,896** | **$22,206,356** |
| (in thousands) | Amortized | Unrealized | Unrealized | Fair |
| As of December 31, 2022 | Cost | Gains | Losses | Value |
| AgriBank investments | $21,019,681 | $617 | $926,375 | $20,093,923 |
| District Association investments | 2,840,942 | 1,826 | 203,342 | 2,639,426 |
| Total District investments | $23,860,623 | $2,443 | $1,129,717 | $22,733,349 |

## District Capital

AgriBank and District Associations believe a sound capital position is critical to long-term financial stability. AgriBank and District Associations maintain adequate capital to protect against unanticipated losses as well as to meet growth needs. Total shareholders' equity increased $543.2 million, primarily resulting from net income for the three months ended March 31, 2023, partially offset by patronage accruals.

**Accumulated Other Comprehensive Loss**

| (in thousands) | **March 31, 2023** | December 31, 2022 |
|---|---|---|
| Investment securities activity | **$(796,284)** | $(925,758) |
| Derivatives and hedging activity | **(19,221)** | 58,824 |
| Employee benefit plans activity | **(506,792)** | (519,393) |
| Total accumulated other comprehensive loss | **$(1,322,297)** | $(1,386,327) |

The decrease in accumulated other comprehensive loss as of March 31, 2023 compared to the year ended December 31, 2022 relates to the change in investment securities activity. Although still in an overall unrealized loss position, unrealized gains during the first quarter of 2023 in AgriBank's 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. The decrease in long-term rates also decreased the market value of AgriBank's pay-fixed swap portfolio designated as cash flow hedges, somewhat offsetting the overall decrease in accumulated other comprehensive loss.

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

**Regulatory Capital Requirements and Ratios**

| As of March 31, 2023 | Primary Components of Numerator | Regulatory Minimums | Minimum with Buffer | Bank | District Associations[5] | |
|---|---|---|---|---|---|---|
| **Risk adjusted:** | | | | | | |
| Common equity tier 1 capital ratio (CET1) | Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1] | 4.5 % | 7.0 % | **17.0 %** | **12.6 % -** | **19.1 %** |
| Tier 1 capital ratio | CET1 capital, non-cumulative perpetual preferred stock | 6.0 % | 8.5 % | **17.6 %** | **13.3 % -** | **19.1 %** |
| Total capital ratio | Tier 1 capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4] | 8.0 % | 10.5 % | **17.6 %** | **14.1 % -** | **19.2 %** |
| Permanent capital ratio | Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits | 7.0 % | 7.0 % | **17.6 %** | **14.1 % -** | **19.1 %** |
| **Non-risk adjusted:** | | | | | | |
| Tier 1 leverage ratio | Tier 1 capital | 4.0 % | 5.0 % | **5.2 %** | **13.3 % -** | **21.3 %** |
| UREE leverage ratio | URE and URE Equivalents | 1.5 % | 1.5 % | **2.0 %** | **11.9 % -** | **21.1 %** |

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

## Other Matters

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

Effective April 1, 2023, two 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 remaining assets are under the control of a liquidation agent, and the ultimate timing of the final liquidation is uncertain and subject to multiple considerations.

**Select Information on AgriBank District Associations**

(in thousands)

| As of March 31, 2023 | Wholesale Loan Amount | % of Wholesale Portfolio | Total Assets | Total Allowance and Capital | Total [3] Regulatory Capital Ratio | Nonperforming [1] as a % of Total Loans | Return on [3] Assets |
|---|---|---|---|---|---|---|---|
| Farm Credit Services of America | $33,431,236 | 27.7% | $41,035,388 | $7,302,598 | 14.5% | 0.3% | 1.7% |
| Farm Credit Mid-America[4] | 26,197,563 | 21.8% | 32,231,745 | 5,721,555 | 15.9% | 0.7% | 1.5% |
| Compeer Financial | 24,409,689 | 20.3% | 30,044,639 | 4,840,560 | 14.1% | 0.8% | 1.6% |
| GreenStone Farm Credit Services | 10,937,362 | 9.1% | 13,411,674 | 2,344,970 | 14.5% | 0.6% | 1.9% |
| AgCountry Farm Credit Services[2] | 9,728,320 | 8.1% | 12,426,758 | 2,566,382 | 16.0% | 0.5% | 1.6% |
| FCS Financial | 5,087,512 | 4.2% | 6,309,670 | 1,145,154 | 15.0% | 0.5% | 1.8% |
| Farm Credit Illinois | 4,470,319 | 3.7% | 5,739,431 | 1,190,928 | 16.8% | 0.4% | 1.6% |
| AgHeritage Farm Credit Services | 1,745,926 | 1.5% | 2,204,113 | 441,667 | 16.2% | 0.5% | 1.7% |
| Farm Credit Services of Western Arkansas | 1,507,275 | 1.3% | 1,918,471 | 372,185 | 17.7% | 0.9% | 1.6% |
| Farm Credit Services of Mandan | 1,221,463 | 1.0% | 1,582,311 | 346,298 | 17.4% | 0.7% | 1.7% |
| Farm Credit Midsouth[4] | 836,018 | 0.7% | 1,118,557 | 271,799 | 19.2% | 0.0% | 1.4% |
| Farm Credit Southeast Missouri | 672,598 | 0.6% | 880,122 | 199,759 | 18.9% | —% | 2.0% |
| Delta Agricultural Credit Association | — | —% | 7,144 | 7,147 | NM | NM | NM |
| Total | $120,245,281 | 100.0% | $148,910,023 | $26,751,002 | | | |

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

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

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

[4] Effective April 1, 2023, Farm Credit Midsouth merged with Farm Credit Mid-America.

**Combined Balance Sheets**

AgriBank, FCB and District Associations

*(unaudited)*

*(in thousands)*

| | **March 31, 2023** | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Cash | **$1,342,059** | $1,453,504 |
| Federal funds and securities purchased under resale agreements | **3,900,000** | — |
| Investments | **22,394,922** | 22,934,865 |
| Loans | **151,467,320** | 152,142,301 |
| Allowance for loan losses | **331,961** | 320,963 |
| Net loans | **151,135,359** | 151,821,338 |
| Accrued interest receivable | **1,475,500** | 1,645,338 |
| Premises and equipment, net | **730,379** | 727,362 |
| Other assets | **797,743** | 778,246 |
| Total assets | **$181,775,962** | $179,360,653 |
| **Liabilities** | | |
| Bonds and notes | **$146,054,516** | $145,035,837 |
| Subordinated notes | **200,000** | 200,000 |
| Member investment bonds | **4,886,995** | 3,193,161 |
| Accrued interest payable | **706,687** | 644,677 |
| Patronage distribution payable | **385,497** | 1,128,598 |
| Other liabilities | **920,796** | 1,080,093 |
| Total liabilities | **153,154,491** | 151,282,366 |
| **Shareholders' equity** | | |
| Preferred stock | **450,000** | 450,000 |
| Capital stock and participation certificates | **383,645** | 380,375 |
| Capital stock and participation certificates receivable | **(137,414)** | (132,504) |
| Additional paid-in capital | **2,443,241** | 2,443,241 |
| Allocated retained earnings | **215,338** | 215,380 |
| Unallocated retained earnings | **26,456,318** | 25,972,986 |
| Accumulated other comprehensive loss | **(1,322,297)** | (1,386,327) |
| Noncontrolling interest | **132,640** | 135,136 |
| Total shareholders' equity | **28,621,471** | 28,078,287 |
| Total liabilities and shareholders' equity | **$181,775,962** | $179,360,653 |

**Combined Statements of Income**

AgriBank, FCB and District Associations

*(unaudited)*

| *(in thousands)* | Three months | |
|---|---|---|
| **For the periods ended March 31,** | **2023** | 2022 |
| **Interest Income** | | |
| Loans | **$1,921,855** | $1,224,866 |
| Investment securities and other earning assets | **225,505** | 36,194 |
| Total interest income | **2,147,360** | 1,261,060 |
| **Interest Expense** | **1,056,414** | 318,099 |
| Net interest income | **1,090,946** | 942,961 |
| Provision for credit losses | **79,104** | (39,390) |
| Net interest income after provision for credit losses | **1,011,842** | 982,351 |
| **Non-interest income** | | |
| Net fee income | **21,898** | 21,972 |
| Financially related services income | **31,899** | 31,876 |
| Net gains on sales of investments and other assets | **1,331** | 289 |
| Mineral income | **20,024** | 18,808 |
| Other income | **14,085** | 9,638 |
| Total non-interest income | **89,237** | 82,583 |
| **Non-interest expense** | | |
| Salaries and employee benefits | **257,560** | 234,323 |
| Occupancy and equipment | **41,224** | 36,659 |
| Purchased services | **26,144** | 25,009 |
| Farm Credit System Insurance Corporation expense | **57,803** | 46,692 |
| Other expense | **74,976** | 66,545 |
| Total non-interest expense | **457,707** | 409,228 |
| Income before income taxes | **643,372** | 655,706 |
| **Provision for income taxes** | **12,489** | 14,198 |
| Net income | **$630,883** | $641,508 |

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