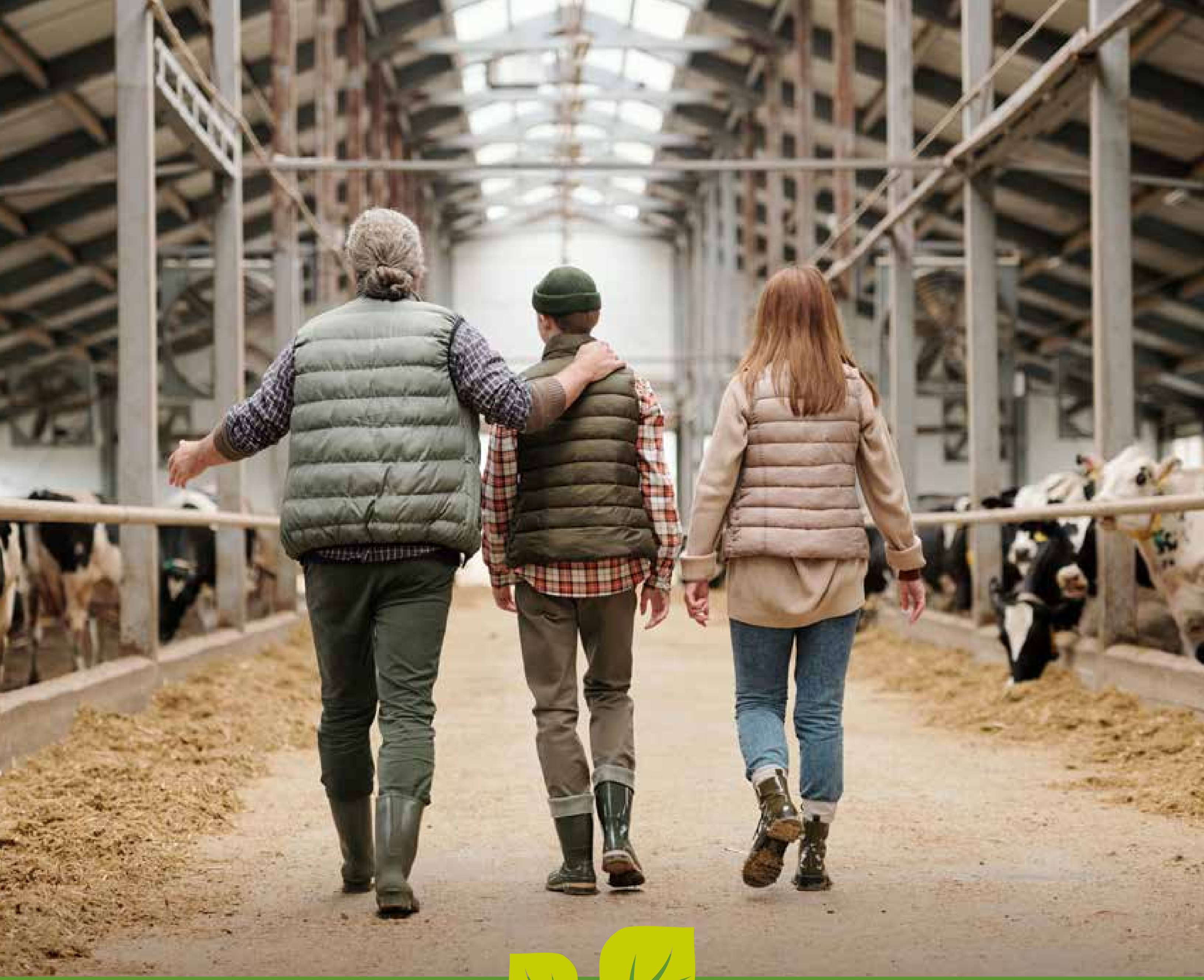

Your Funding Bank

People. Partnerships. Solutions.

AGRIBANK 2023 QUARTERLY REPORT
SEPTEMBER 30, 2023

AgriBank
FARM CREDIT BANK

Copies of Quarterly and Annual Reports are available upon request by contacting AgriBank, FCB, 30 E. 7th Street, Suite 1600, St. Paul, MN 55101 or by calling (651) 282-8800. Reports are also available at www.AgriBank.com.

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 53 basis points was above our target of 50 basis points. Net interest income increased compared to the prior year primarily due to the benefit of equity financing from higher interest rates compared to the the same period of the prior year, partially offset by compressed spreads across the loan portfolio. Equity financing represents the benefit of non-interest bearing funding. Higher earnings on investment securities as a result of widened credit spreads, as well as an increase in the average daily balance of our loan portfolio also contributed to the increase in net interest income.

Loan portfolio credit quality remained strong with 99.4 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 12 percent of our total loan portfolio) decreased slightly to 95.3 percent acceptable as of September 30, 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 financial conditions. U.S. gross domestic product is forecasted to grow by approximately 2.0 percent in 2023 and 1.0 percent in 2024. The unemployment rate remains below 4.0 percent and is expected to increase gradually as financial conditions continue to tighten. Consumer price inflation has been elevated due to imbalances between supply and demand. The monthly inflation rate has improved significantly, 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, the Federal Open Market Committee (FOMC) has tightened monetary policy with the federal funds rate now at the target range of 5.25 to 5.50 percent. As of early November 2023, the fed funds futures market suggests the FOMC will maintain the fed funds rate near its current level through the end of 2023. The FOMC will continue to assess additional information and its implications for monetary policy and may increase rates by 25 bps in 2023 if warranted by the economic data.

With the high rate of price inflation and monetary tightening by the FOMC, U.S. Treasury yields continued to move higher in 2023. 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

The U.S. Department of Agriculture's Economic Research Service (USDA-ERS) updated its 2023 forecast of the U.S. aggregate farm income and financial conditions on August 31, 2023. The release also converted the 2022 forecasts to estimates. The updated figures showed a substantial $20.3 billion upward revision to the 2022 farm sector income estimate, increasing it to $183.0 billion. The revisions were due to lower than forecasted expenses, a reduced downward value of the inventory adjustment and higher farm related income. Those revisions more than offset a downward adjustment to the crop cash receipts estimate. USDA-ERS estimates that 2022 net farm income (NFI) increased $42.9 billion, or 30.6 percent, from the 2021 level in nominal terms. Adjusting for inflation, the 2022 U.S. net farm income estimate also made a new all-time record high of $189.3 billion in 2023 dollars compared to the previous highs near $180 billion that occurred in 1973 and twice in the 1940s.

The 2023 NFI forecast was revised $4.4 billion higher from the initial February 2023 forecast to $141.3 billion, marking a $41.7 billion, or 22.8 percent, nominal decline from the 2022 estimate. The 2023 NFI forecast revision was driven by multiple, partially offsetting changes. An upward revision in farm-related income expectations, which includes custom work, machine hire, recreational activities, forest product sales, and commodity insurance indemnities, had the largest influence on the upward 2023 income revision. The forecasted decline in 2023 income is driven by the combination of expectations for lower cash receipts and an increase in expenses. On an inflation-adjusted basis, the August 31, 2023, USDA-ERS forecast expects 2023 NFI will be down $48.0 billion, or 25.4 percent, from the record high 2022 level, but 2023 income is forecasted to remain above the 10- and 20-year inflation-adjusted averages of $119.0 billion and $115.0 billion, respectively. Three consecutive years of historically high sector income are forecasted to strengthen the sector balance sheet. USDA-ERS forecasts that farm sector equity will increase 6.8 percent nominally in 2023 and that the debt-to-asset ratio will decline for the third straight year to 12.7 percent, which is in line with the 20-year average and would be the lowest level since 2015.

Drought and periods of abnormally hot temperatures during key crop development periods reduced the U.S. crop production potential in 2023. USDA reduced its corn yield projections each month during July through October, which has provided underlying support for U.S. corn prices. However, the large corn area planted in 2023 and projections for an increase in corn ending stocks have been negative for corn prices. USDA soybean yield forecasts were lowered in August, September and October. The small beginning stocks, reduced yield and lower soybean acreage are projected to keep 2023/24 marketing year U.S. soybean supplies at the lowest level in eight years. The tighter soybean supply outlook is projected to be offset by the Brazilian soybean supplies, a strengthening U.S. dollar and low Mississippi River levels that have reduced U.S. soybean export competitiveness. Corn and soybean prices in the 2023/24 marketing year are forecasted to decline from the previous marketing year levels, but prices are projected to remain at levels near or above breakeven levels for many producers depending on their cost structure, marketing timing and local basis levels.

Animal protein price moves were mixed during the third quarter of 2023. Hog producers faced stress during the first half of 2023 before prices increased into August. Seasonal pressure from increased production and reduced grilling demand have provided the typical downward seasonal pressure on the pork and hog markets this fall. The latest USDA Quarterly Hogs and Pigs report showed producers are reducing the number of sows farrowing, but increased productivity via higher pigs per litter has slowed the hog herd contraction progress. USDA expects hog prices will turn seasonally higher in early 2024 and will average above early 2023 levels. Cattle and beef prices remain historically high due to the combination of tight cattle availability and good demand for beef. Tight supplies are expected to remain supportive for cattle and beef prices through 2024. Dairy prices were low and margins were stressed during the second quarter of 2023. Milk prices recovered during the third quarter as the milking herd contracted in response to poor margins, while declines in milk production per cow from the prior year also caused milk production to fall below prior year levels during July and August. USDA forecasts the average U.S. all-milk price will increase during the fourth quarter of 2023 and the average annual 2024 all-milk price will be close to the 2023 average, while feed costs decline. Egg prices are down from the record-high 2022 and early 2023 levels as no new bird flu cases have occurred in commercial table egg layer operations. That has allowed production and supplies to recover. Broiler markets have also faced stress from higher production and increased inventory levels. Broiler integrators have responded by reducing chick placements and by closing some processing plants in an effort to balance production levels and reduce costs.

Agricultural commodity prices are generally down from the highs of 2022 and margins have deteriorated for many sectors in 2023. However, reduced fertilizer and chemical expenses for crops and lower feed costs for the animal protein sector are expected to offer some relief from falling commodity prices. The farm sector balance sheet remains strong, while USDA expects farm sector working capital to decline in 2023. 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, 2023, indicated that the average annual District real estate value increased 13.2 percent. All 34 benchmark regions were higher, while there was a wide range of increases based on the regional availability of land, quality of land and regional demand from producers and non-farmer/owners. Farmers, ranchers and investors remain interested in acquiring farmland; however, elevated prices, higher interest rates and lower returns may dampen demand for land purchases, which could negatively impact farmland values in the District.

The Federal Reserve Banks of Chicago, Kansas City and Minneapolis reported on the change in farmland values from the end of the second quarter 2022 to the end of the second quarter 2023 in their respective districts. The Federal Reserve district reports indicated annual regional increases in non-irrigated farmland values ranging from 7.7 to 9.0 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 2023 survey showed increases of 8.3 percent for overall farm real estate values and 9.3 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)	**September 30, 2023**	December 31, 2022
Accrual loans:		
Wholesale loans	**$125,251,514**	$118,660,270
Retail loans:		
Real estate mortgage	**5,456,574**	4,696,993
Production and intermediate-term	**8,861,568**	7,866,773
Loans to other financing institutions (OFIs)	**988,020**	749,969
Other	**2,494,006**	1,454,782
Total retail loans	**17,800,168**	14,768,517
Nonaccrual loans	**64,080**	41,994
Total loans	**$143,115,762**	$133,470,781

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

Loans totaled $143.1 billion at September 30, 2023, an increase of $9.6 billion from December 31, 2022. Within total loans, growth in wholesale loans was primarily driven by a rise in agribusiness, rural infrastructure and real estate loans throughout the AgriBank District.

Retail loans increased, driven by increases in production and intermediate-term loans, real estate mortgage loans, agribusiness loans, and loans to other financing institutions (OFIs). Increases in production and intermediate-term loans were aligned with seasonal expectations within our crop input financing portfolio, with most of the growth coming in the second and third quarters. The increases in agribusiness and real estate mostly relate to purchases in our asset pool programs during 2023.

While commodity prices are generally lower compared to strong prices experienced in 2022, prices remain at elevated levels. However, strong grain prices have negatively impacted hog and broiler producers. Overall AgriBank credit quality remains strong. 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 99.4 percent in the acceptable category at September 30, 2023, compared to 99.6 percent at December 31, 2022. As of September 30, 2023, all outstanding wholesale loans were classified as acceptable. Adversely classified loans increased slightly to 0.3 percent at September 30, 2023, compared to 0.2 percent at December 31, 2022. Credit quality of our retail loan portfolio decreased slightly to 95.3 percent acceptable as of September 30, 2023, compared to 95.8 percent acceptable at December 31, 2022, related to a few large credits. Included in total loans are loans classified as loans held for sale with a net book value of $392.5 million. 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 (CECL) model. The allowance for credit losses comprises the allowance for credit losses on loans, unfunded commitments and investment securities.

Components of Nonperforming Assets

(in thousands)	**September 30, 2023**	December 31, 2022
Nonaccrual loans	**$64,080**	$41,994
Accruing loans 90 days or more past due	**20,188**	746
Total nonperforming loans	**84,268**	42,740
Other property owned	**89**	—
Total nonperforming assets	**$84,357**	$42,740
As a percent of retail loans		
Nonperforming loans	**0.47 %**	0.29 %
Nonaccrual loans	**0.36 %**	0.28 %
Delinquencies	**0.38 %**	0.63 %
As a percent of loans		
Nonperforming loans	**0.06 %**	0.03 %
Nonaccrual loans	**0.04 %**	0.03 %
Delinquencies	**0.05 %**	0.07 %

Note: Prior to the adoption of CECL effective January 1, 2023, nonperforming assets included accrued interest receivables. Certain prior period ratios have been updated to conform to current period presentation. In addition, the total loans used to calculate the above ratios include $392.5 million of loans classified as held for sale as of September 30, 2023.

Due to the low level of nonperforming assets, movement of a single loan or borrower impacts the percent of nonperforming assets. Despite the increase compared to year-end, nonperforming assets remain at acceptable levels, and total nonperforming loans as a percentage of total loans remain within our established risk management guidelines. Nonperforming loans were primarily concentrated in the production and intermediate-term and real estate mortgage sectors. At September 30, 2023, 52.6 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

	September 30, 2023	December 31, 2022
Allowance for loan losses as a percentage of:		
Loans	**0.02 %**	0.02 %
Retail loans	**0.14 %**	0.21 %
Nonaccrual loans	**37.72 %**	75.58 %
Total nonperforming loans [(1)]	**28.68 %**	74.26 %
Adverse assets to capital and allowance for loan losses	**4.91 %**	4.28 %

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

Note: The total loans used to calculate the Loans and Retail loans ratios in the above chart includes loans classified as held for sale as of September 30, 2023.

The changes in the above ratios are mostly related to purchases in our asset pool programs throughout the year, increasing loan balances, including nonperforming loans. Additionally, seasonal increases in accruing 90 days past due have added to the change in ratios. Lastly, the allowance balance has decreased when compared year end 2022.

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 was a modest increase in allowance attributable to our long-term real estate portfolio.

As of September 30, 2023, the allowance decreased $7.6 million, compared to December 31, 2022, primarily due to the adoption of the CECL guidance. While positive shifts in our economic forecasts further reduced the allowance level as of September 30, 2023, this was more than offset by additional reserves for specific nonperforming loans.

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 nine months ended September 30, 2023, investor demand for Systemwide Debt Securities remained sufficient to meet our funding needs.

On August 1, 2023, Fitch Ratings lowered the U.S. sovereign's long-term Issuer Default Rating to AA+ from AAA; the F1+ short-term rating was affirmed. The outlook on the long-term debt rating was revised to stable. On August 2, 2023, Fitch Ratings lowered the long-term debt rating for the Farm Credit System to AA+ from AAA; the A-1+ short-term rating was affirmed. The outlook on the long-term debt rating was revised to stable. As a government-sponsored entity, the Farm Credit System benefits from the implicit government support and, therefore, the ratings are directly linked to the U.S. sovereign rating.

On August 2, 2023, Fitch Ratings lowered the long-term debt rating for the Farm Credit Banks, including AgriBank, to A+ from AA-; the F1+ short-term rating was affirmed. The outlook on the long-term debt rating was revised to stable. The reduction in the credit rating by Fitch Ratings for the Farm Credit Banks, including AgriBank, could result in higher funding costs.

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 September 30, 2023, we had sufficient liquidity to fund all debt maturing within 166 days. At September 30, 2023, we held qualifying assets in excess of each incremental level to meet the liquidity coverage intervals.

We maintain a Contingency Funding Plan (CFP) that helps inform our operating and funding needs and addresses actions we would consider in the event that there is not ready access to traditional funding sources. These potential actions include borrowing overnight via federal funds, using investment securities as collateral to borrow, using the proceeds from maturing investments and selling our liquid investments. We size our investment portfolio using the CFP to cover all operating and funding needs for a minimum of 30 days with a targeted $700 million buffer. The buffer amount is assessed annually, and was most recently updated to $850 million in October 2023. The Funding Corporation, on behalf of the System Banks, may also incur other obligations, such as federal funds purchased, that would be the joint and several obligations of the System Banks and would be insured by the Insurance Corporation to the extent funds are available in the Insurance Fund.

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 September 30, 2023 was $8.0 billion, a $783.2 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 in our derivative portfolio during the year positively impacted equity through the first nine months of 2023. These gains were partially offset by unrealized losses in our investment portfolio. Based on our analysis, we have not recognized an allowance for credit losses related to our investment portfolio as the majority of our portfolio is guaranteed by the U.S. government or its agencies. Additionally, no investments were impaired as of September 30, 2023.

At September 30, 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 nine months ended September 30, 2023 was $646.4 million, a 12.2 percent increase, compared to $576.1 million for the same period in 2022. ROA of 53 basis points through the nine months ended September 30, 2023 remained above AgriBank's 50 basis point target.

Changes in Significant Components of Net Income

(in thousands) **For the nine months ended September 30,**	**2023**	2022	Increase (decrease) in Net Income
Net interest income	**$721,868**	$621,241	$100,627
Provision for credit losses	**8,000**	(5,000)	(13,000)
Non-interest income	**73,191**	87,012	(13,821)
Non-interest expense	**140,612**	137,147	(3,465)
Net income	**$646,447**	$576,106	$70,341

Net interest income

Changes in Net Interest Income

(in thousands) **For the nine months ended September 30,**	**2023 vs 2022**		
Increase (decrease) due to:	**Volume**	**Rate**	**Total**
Interest income:			
Loans	**$177,340**	**$1,659,616**	**$1,836,956**
Investments and other earning assets	**29,203**	**521,927**	**551,130**
Total interest income	**206,543**	**2,181,543**	**2,388,086**
Interest expense:			
Systemwide debt securities and other	**(159,861)**	**(2,127,598)**	**(2,287,459)**
Net change in net interest income	**$46,682**	**$53,945**	**$100,627**

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 nine months ended September 30,	**2023**			2022		
	ADB	**Rate**	**NII**	ADB	Rate	NII
Interest earning assets:						
Wholesale loans	**$121,150,478**	**3.42 %**	**$3,094,664**	$110,244,728	1.75 %	$1,440,275
Retail accrual loans	**15,021,598**	**4.98 %**	**559,655**	14,223,762	3.54 %	377,172
Retail nonaccrual loans	**50,709**	**14.22 %**	**5,395**	48,490	14.65 %	5,312
Investment securities and federal funds	**23,463,867**	**4.03 %**	**707,197**	20,189,126	1.03 %	156,068
Total earning assets	**159,686,652**	**3.66 %**	**4,366,911**	144,706,106	1.83 %	1,978,827
Interest bearing liabilities	**153,074,177**	**3.18 %**	**3,645,043**	138,290,146	1.31 %	1,357,586
Interest rate spread	**$6,612,475**	**0.48 %**		$6,415,960	0.52 %	
Impact of equity financing		**0.12 %**			0.05 %	
Net interest margin		**0.60 %**			0.57 %	
Net interest income			**$721,868**			$621,241

Net interest income increased mainly driven by the benefit of equity financing from higher interest rates compared to the the same period of the prior year, partially offset by compressed spreads across the loan portfolio. Equity financing represents the benefit of non-interest bearing funding. Higher earnings on investment securities as a result of widened credit spreads, as well as an increase in the average daily balance of our loan portfolio also contributed to the increase in net interest income. Net interest margin for the nine months ended September 30, 2023 increased compared to the same period of the prior year and was impacted by similar factors as already discussed.

Non-interest income

Non-interest income decreased for the nine months ended September 30, 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 when compared to the same period of the prior year. Mineral income decreased for the nine months ended September 30, 2023 compared to the same period of the prior year, due to lower oil and natural gas prices.

Non-interest expense

Non-interest expense increased slightly for the nine months ended September 30, 2023 compared to the same period of the prior year mainly due to increases in salaries and benefits. Additionally, increases in other operating expenses were related to increased technology costs.

LIBOR Transition

As of September 30, 2023, our exposure to the London Inter-Bank Offered Rate (LIBOR) was limited to our Series A Preferred Stock (Preferred Stock).

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 is no longer available, the annual rate will be replaced by a CME Term Secured Overnight Financing Rate (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 Note 4 Shareholders' Equity in the Notes to the Financial Statements and the AgriBank 2022 Annual Report for additional information about the Preferred Stock.

As part of the LIBOR discontinuance, certain LIBOR-indexed swaps were converted to a short-dated LIBOR swap and a forward-starting SOFR swap. The remaining LIBOR-indexed swaps were modified directly through amendments or through the incorporation of fallback language, which changed the contracts to SOFR after June 30, 2023. As of September 30, 2023, we had no remaining LIBOR exposure in our derivative portfolio.

As of September 30, 2023, all LIBOR loan exposures at District Associations as well as LIBOR loan exposures from purchased participations have been repriced to SOFR.

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 September 21, 2023, Farm Credit Services of America, ACA, Frontier Farm Credit, ACA, and AgCountry Farm Credit Services, ACA entered into a non-binding Letter of Intent (“LOI”) to evaluate benefits to be gained by entering into a contractual arrangement to collaborate. Upon conclusion of due diligence, the Associations will determine if they can better serve customers and achieve the desired benefits of scale by entering into a contractual arrangement. The contractual arrangement will be subject to AgriBank's consent.

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 resolution with a plan to voluntarily liquidate and dissolve the Association. The sale of Delta’s entire loan portfolio to AgHeritage Farm Credit Services, ACA occurred in 2022. The liquidation agent is in the process of liquidating all remaining assets per a liquidation plan approved by the FCA.

Certification

The undersigned have reviewed the September 30, 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
November 9, 2023

Jeffrey R. Swanhorst
Chief Executive Officer
AgriBank, FCB
November 9, 2023

Jeffrey L. Moore
Chief Financial Officer
AgriBank, FCB
November 9, 2023

Statements of Condition

AgriBank, FCB

(in thousands)	September 30, 2023	December 31, 2022
	(unaudited)	
Assets		
Loans held to maturity (Note 2)	**$142,723,302**	$133,470,781
Allowance for loan losses	**24,172**	31,739
Net loans held to maturity	**142,699,130**	133,439,042
Loans held for sale (Note 2)	**392,460**	—
Net loans	**143,091,590**	133,439,042
Investment securities	**20,401,772**	20,093,923
Cash	**4,120,214**	1,356,976
Federal funds and securities purchased under resale agreements	**1,000,000**	—
Accrued interest receivable	**1,443,565**	1,028,153
Derivative assets	**117,130**	114,582
Other assets	**340,300**	430,092
Total assets	**170,514,571**	156,462,768
Liabilities		
Bonds and notes	**161,182,704**	148,228,998
Accrued interest payable	**909,595**	644,117
Derivative liabilities	**83,308**	85,784
Patronage payable and other payables	**328,032**	286,334
Other liabilities	**42,165**	31,979
Total liabilities	**162,545,804**	149,277,212
Commitments and contingencies (Note 6)		
Shareholders' equity		
Perpetual preferred stock	**250,000**	250,000
Capital stock and participation certificates	**5,086,396**	4,664,821
Unallocated retained earnings	**3,342,999**	3,139,365
Accumulated other comprehensive loss	**(710,628)**	(868,630)
Total shareholders' equity	**7,968,767**	7,185,556
Total liabilities and shareholders' equity	**$170,514,571**	$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		Nine months	
For the periods ended September 30,	**2023**	2022	**2023**	2022
Interest income				
Loans	**$1,353,980**	$766,604	**$3,659,714**	$1,822,759
Investments and other earning assets	**280,027**	82,186	**707,197**	156,068
Total interest income	**1,634,007**	848,790	**4,366,911**	1,978,827
Interest expense	**1,379,607**	626,397	**3,645,043**	1,357,586
Net interest income	**254,400**	222,393	**721,868**	621,241
Provision for credit losses	**5,000**	—	**8,000**	(5,000)
Net interest income after provision for credit losses	**249,400**	222,393	**713,868**	626,241
Non-interest income				
Mineral income	**20,157**	26,295	**61,812**	66,416
Business services income	**956**	1,777	**5,401**	5,621
Loan prepayment and fee income	**1,121**	4,487	**4,330**	15,557
Other income (loss), net	**8**	1,974	**1,648**	(582)
Total non-interest income	**22,242**	34,533	**73,191**	87,012
Non-interest expense				
Salaries and employee benefits	**7,945**	6,899	**23,870**	20,306
Other operating expenses	**12,177**	11,623	**37,316**	34,970
Loan servicing and other expenses	**20,031**	20,108	**58,918**	57,649
Farm Credit System insurance expense	**7,443**	7,680	**20,483**	21,472
Other expenses, net	**20**	185	**25**	2,750
Total non-interest expense	**47,616**	46,495	**140,612**	137,147
Net income	**$224,026**	$210,431	**$646,447**	$576,106
Other comprehensive income (loss)				
Investment securities activity	**$(110,144)**	$(156,557)	**$(18,747)**	$(783,376)
Derivatives and hedging activity	**149,918**	98,363	**176,611**	189,703
Employee benefit plan activity	**46**	59	**138**	177
Total other comprehensive income (loss)	**39,820**	(58,135)	**158,002**	(593,496)
Comprehensive income (loss)	**$263,846**	$152,296	**$804,449**	$(17,390)

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				576,106		576,106
Other comprehensive loss					(593,496)	(593,496)
Redemption of retained earnings allocated under patronage program			(1,508)			(1,508)
Cash patronage				(316,381)		(316,381)
Retained earnings allocated under patronage program			131	(131)		—
Perpetual preferred stock dividends				(12,891)		(12,891)
Capital stock/participation certificates issued		304,285				304,285
Capital stock/participation certificates retired		(22,118)				(22,118)
Balance at September 30, 2022	$250,000	$4,108,457	$—	$3,385,906	$(804,451)	$6,939,912
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				**646,447**		**646,447**
Other comprehensive income					**158,002**	**158,002**
Cash patronage				**(438,737)**		**(438,737)**
Perpetual preferred stock dividends				**(12,891)**		**(12,891)**
Capital stock/participation certificates issued		**428,184**				**428,184**
Capital stock/participation certificates retired		**(6,609)**				**(6,609)**
Balance at September 30, 2023	**$250,000**	**$5,086,396**	**$—**	**$3,342,999**	**$(710,628)**	**$7,968,767**

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

Statements of Cash Flows

AgriBank, FCB

(unaudited)

(in thousands)

For the nine months ended September 30,	2023	2022
Cash flows from operating activities		
Net income	**$646,447**	$576,106
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation on premises and equipment	**484**	203
Provision for credit losses	**8,000**	(5,000)
Loss on sale of investment securities, net	**—**	3,998
Amortization of discounts on investments, net	**(159,265)**	(3,762)
Amortization of discounts on debt and deferred debt issuance costs, net	**104,833**	61,318
Loss on derivative activities, net	**14,908**	19,510
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	**(3,197,685)**	(1,476,218)
Decrease (increase) in other assets	**136,431**	(110,782)
Increase in accrued interest payable	**265,478**	210,511
(Decrease) increase in other liabilities	**(89,227)**	77,162
Net cash used in operating activities	**(2,269,596)**	(646,954)
Cash flows from investing activities		
Increase in loans, net	**(6,878,275)**	(6,399,415)
Increase in federal funds sold and securities purchased under resale agreements, net	**(1,000,000)**	—
Purchases of investment securities	**(7,310,346)**	(8,694,472)
Proceeds from investment securities	**7,143,015**	5,241,212
Proceeds from the sale of investment securities	**—**	889,786
Other investing activities, net	**(876)**	(54)
Net cash used in investing activities	**(8,046,482)**	(8,962,943)
Cash flows from financing activities		
Bonds and notes issued	**88,712,909**	163,822,990
Bonds and notes retired	**(75,864,556)**	(154,384,330)
(Increase) decrease in cash collateral posted with counterparties, net	**(29,132)**	12,208
Variation margin received on cleared derivatives, net	**157,199**	15,533
Patronage distributions paid	**(305,788)**	(525,210)
Preferred stock dividends paid	**(12,891)**	(12,891)
Capital stock/participation certificates issued, net	**421,575**	282,167
Net cash provided by financing activities	**13,079,316**	9,210,467
Net increase (decrease) in cash	**2,763,238**	(399,430)
Cash at beginning of period	**1,356,976**	1,304,994
Cash at end of period	**$4,120,214**	$905,564

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

Supplemental Statements of Cash Flows Information

AgriBank, FCB

(unaudited)

(in thousands)

For the nine months ended September 30,	2023	2022
Supplemental non-cash investing and financing activities		
Decrease in shareholders' equity from investment securities	**$(18,747)**	$(783,376)
Interest capitalized to loan principal	**2,782,273**	1,180,083
Patronage and preferred stock dividends accrued	**210,092**	105,633
Supplemental non-cash fair value changes related to hedging activities		
Increase in derivative assets and liabilities, net	**$(162,223)**	$(106,613)
Increase (decrease) in bonds from derivative activity	**520**	(63,580)
Increase in shareholders' equity from cash flow derivatives	**176,611**	189,703
Supplemental Information		
Interest paid	**$3,259,340**	$1,068,377

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 third quarter 2023 Financial Statements should be read in conjunction with the 2022 Annual Report. The results for the nine months ended September 30, 2023 do not necessarily indicate the results to be expected for the year ending December 31, 2023.

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 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. As the revised policy presents activity for Federal Funds and securities purchased under resale agreements net, there was no impact to the Statement of Cash Flows for the nine months ended September 30, 2022.

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 certain modifications are completed 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 carrying amount in the loan, except in those cases where the collection of the carrying amount 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. Modifications are one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant term extension, or other-than-insignificant payment deferrals. Other-than-insignificant term extensions are defined as those greater than or equal to six months. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Other-than-insignificant payment deferrals are defined as cumulative or individual payment delays greater than or equal to six months.

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: 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 (CECL) model. The allowance for credit losses comprises the allowance for credit losses on loans, unfunded commitments and investment securities.

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, 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 ACLL is increased through provisions for loan losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. The provision activity is included as part of the "Provision for Credit Losses" in the Consolidated Statement of Comprehensive Income. 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, considering the factors then prevailing, may result in significant changes in the ACLL in future periods. Loans are evaluated on the amortized cost basis, including unamortized premiums and discounts.

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 ACLL.

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. We utilize a model to calculate 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. Loan borrower characteristics are also utilized and include internal risk ratings, delinquency status, and the remaining term of the loan, adjusted for expected prepayments.

In order to calculate this estimated migration of loans from performing to loss, we utilize a single economic scenario over a reasonable and supportable forecast period of three years. 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. Subsequent to the forecast period, our model reverts to historical loss experience to estimate losses for the remaining estimated contractual life of the portfolio.

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. Consideration of these factors, as well as the imprecision inherent in the process and methodology 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.

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.

Allowance for Credit Losses on Unfunded Commitments

We evaluate the need for an allowance for credit losses on unfunded commitments under CECL, which is included in “Other liabilities” in the Consolidated Statement of Condition. The related provision is included as part of the “Provision for Credit Losses” in the Consolidated Statement of Comprehensive Income. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the institution and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable.

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.

For 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 was amended the mandatory effective date for this guidance for certain institutions. We qualified 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 was permitted.	The guidance replaced 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 was effective at the same time that ASU 2016-13 is adopted.	This guidance eliminated 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 required 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

As of September 30, 2023, we had total loans of $143.1 billion, of which $392.5 million was classified as loans held for sale, resulting in $142.7 billion of loans shown as held to maturity on the Statement of Condition. Total loans presented throughout Note 2 include all loans held, regardless of classification. A portion of these loans were sold on October 1, 2023, with the remaining expected to be sold in 2024.

Loans by Type

	September 30, 2023		December 31, 2022	
(in thousands)	**Amount**	**%**	Amount	%
Wholesale loans	**$125,251,514**	**87.5 %**	$118,660,270	88.9 %
Retail loans:				
Real estate mortgage	**5,470,633**	**3.8 %**	4,710,046	3.5 %
Production and intermediate-term	**8,904,195**	**6.2 %**	7,894,068	5.9 %
Loans to other financing institutions (OFIs)	**988,020**	**0.7 %**	749,969	0.6 %
Other	**2,501,400**	**1.8 %**	1,456,428	1.1 %
Total retail loans	**17,864,248**	**12.5 %**	14,810,511	11.1 %
Total loans	**$143,115,762**	**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 $1.4 billion as of September 30, 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. On September 1, 2023, we sold certain loan participations with a net book value of approximately $97.5 million from our asset pool programs back to District Associations. This sale did not result in any gain or loss being recorded. We also purchased loan participation interests totaling $1.7 billion from certain District Associations. This purchase included loans that were considered purchased credit deteriorated; however, these loans were not material to the financial statements.

Retail Loan Participations Purchased

(in thousands)	**September 30, 2023**	December 31, 2022
Real estate mortgage	**$5,470,633**	$4,710,046
Production and intermediate-term	**8,904,195**	7,894,068
Other	**2,488,639**	1,445,398
Total loans	**$16,863,467**	$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 September 30, 2023 or December 31, 2022.

Credit Quality of Loans as a Percentage of Total Loans

As of September 30, 2023	**Acceptable**	**Special mention**	**Substandard/ Doubtful**	**Total**
Wholesale loans	**100.0 %**	**— %**	**— %**	**100.0 %**
Retail loans:				
Real estate mortgage	**98.3 %**	**0.5 %**	**1.2 %**	**100.0 %**
Production and intermediate-term	**92.8 %**	**4.3 %**	**2.9 %**	**100.0 %**
Loans to OFIs	**100.0 %**	**— %**	**— %**	**100.0 %**
Other	**95.5 %**	**1.8 %**	**2.7 %**	**100.0 %**
Total retail loans	**95.3 %**	**2.5 %**	**2.2 %**	**100.0 %**
Total loans	**99.4 %**	**0.3 %**	**0.3 %**	**100.0 %**

Credit Quality and Origination Year of Loans

(in thousands)	Term Loans by Origination Year								
As of September 30, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans**	**Revolving Loans Converted to Term Loans**	**Total**
Wholesale Loans									
Acceptable	$—	$—	$—	$—	$—	$—	$125,251,514	$—	$125,251,514
Total Wholesale Loans	$—	$—	$—	$—	$—	$—	$125,251,514	$—	$125,251,514
Retail Loans:									
Real estate mortgage									
Acceptable	$93,173	$573,423	$1,018,822	$998,349	$436,986	$2,148,701	$107,720	$228	$5,377,402
Special mention	214	1,687	2,217	2,852	1,521	18,082	—	—	26,573
Substandard/Doubtful	73	9,119	10,294	6,314	6,575	14,973	19,310	—	66,658
Total Real estate mortgage loans	$93,460	$584,229	$1,031,333	$1,007,515	$445,082	$2,181,756	$127,030	$228	$5,470,633
Production and intermediate-term									
Acceptable	$2,776,018	$2,211,747	$1,521,068	$825,126	$261,701	$153,695	$504,254	$11,039	$8,264,648
Special mention	211,925	121,552	20,785	11,842	5,565	2,144	6,955	9	380,777
Substandard/Doubtful	121,796	68,633	14,067	7,606	7,693	4,664	34,027	284	258,770
Total production and intermediate-term loans	$3,109,739	$2,401,932	$1,555,920	$844,574	$274,959	$160,503	$545,236	$11,332	$8,904,195
Loans to OFIs									
Acceptable	$96,798	$157,261	$140,967	$163,422	$17,029	$13,882	$398,661	$—	$988,020
Total loans to OFIs	$96,798	$157,261	$140,967	$163,422	$17,029	$13,882	$398,661	$—	$988,020
Other									
Acceptable	$184,731	$487,246	$458,991	$282,999	$137,443	$430,265	$406,022	$386	$2,388,083
Special mention	5,552	2,875	11,765	13,220	1,699	3,585	6,067	1,149	45,912
Substandard/Doubtful	187	1,687	5,870	33,351	1,922	10,776	13,583	29	67,405
Total other	$190,470	$491,808	$476,626	$329,570	$141,064	$444,626	$425,672	$1,564	$2,501,400
Total retail loans									
Acceptable	$3,150,720	$3,429,677	$3,139,848	$2,269,896	$853,159	$2,746,543	$1,416,657	$11,653	$17,018,153
Special mention	217,691	126,114	34,767	27,914	8,785	23,811	13,022	1,158	453,262
Substandard/Doubtful	122,056	79,439	30,231	47,271	16,190	30,413	66,920	313	392,833
Total Retail Loans	$3,490,467	$3,635,230	$3,204,846	$2,345,081	$878,134	$2,800,767	$1,496,599	$13,124	$17,864,248
Total loans									
Acceptable	$3,150,720	$3,429,677	$3,139,848	$2,269,896	$853,159	$2,746,543	$126,668,171	$11,653	$142,269,667
Special mention	217,691	126,114	34,767	27,914	8,785	23,811	13,022	1,158	453,262
Substandard/Doubtful	122,056	79,439	30,231	47,271	16,190	30,413	66,920	313	392,833
Total	$3,490,467	$3,635,230	$3,204,846	$2,345,081	$878,134	$2,800,767	$126,748,113	$13,124	$143,115,762
Charge-offs, for the nine months ended September 30, 2023									
Real estate mortgage	$—	$—	$6	$—	$—	$205	$—	$—	$211
Production and intermediate-term	396	92	619	230	57	613	178	—	2,185
Other	125	—	—	6,669	—	3	94	—	6,891
Total	$521	$92	$625	$6,899	$57	$821	$272	$—	$9,287

Increases in loans that originated prior to 2023 was related to purchases during the year in our asset pool programs.

Credit Quality of Loans

(in thousands)

As of December 31, 2022	Acceptable		Special mention		Substandard/Doubtful		Total	
Wholesale loans	$119,473,496	100.0 %	$—	— %	$—	— %	$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 September 30, 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	**$—**	**$—**	**$—**	**$125,251,514**	**$125,251,514**	**$—**
Retail loans:						
Real estate mortgage	**9,559**	**7,735**	**17,294**	**5,453,339**	**5,470,633**	**282**
Production and intermediate-term	**10,758**	**35,056**	**45,814**	**8,858,381**	**8,904,195**	**19,827**
Loans to OFIs	**—**	**—**	**—**	**988,020**	**988,020**	**—**
Other	**1,710**	**3,316**	**5,026**	**2,496,374**	**2,501,400**	**79**
Total retail loans	**22,027**	**46,107**	**68,134**	**17,796,114**	**17,864,248**	**20,188**
Total loans	**$22,027**	**$46,107**	**$68,134**	**$143,047,628**	**$143,115,762**	**$20,188**

(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:	September 30, 2023	December 31, 2022
Real estate mortgage	**$14,058**	$13,055
Production and intermediate-term	**42,627**	27,296
Other	**7,395**	1,643
Total nonaccrual loans	**$64,080**	$41,994

Additional Nonaccrual Loans Information

	As of September 30, 2023	For the nine months ended September 30, 2023
	Amortized Cost without Allowance	Interest Income Recognized
Nonaccrual loans:		
Real estate mortgage	**$12,053**	**$2,050**
Production and intermediate-term	**10,417**	**3,345**
Other	**4,514**	**—**
Total	**$26,984**	**$5,395**

We had no wholesale loans classified as nonaccrual at September 30, 2023. Reversals of interest income on loans that moved to nonaccrual status were not significant during the nine months ended September 30, 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. Our loans classified as modified loans and activity on these loans were not material during the nine months ended September 30, 2023. We did not have any material commitments to lend to borrowers whose loans have been modified during the nine months ended September 30, 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 September 30, 2023 or December 31, 2022. Similarly, the provision for unfunded commitments for the nine months ended September 30, 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**	**$31,739**
Cumulative effect of change in accounting principle	**—**	**(768)**	**(14,927)**	**582**	**5,298**	**(9,815)**
Provision for loan losses	**—**	**46**	**6,816**	**101**	**1,037**	**8,000**
Charge-offs	**—**	**(211)**	**(2,185)**	**—**	**(6,891)**	**(9,287)**
Recoveries	**—**	**2**	**1,667**	**—**	**113**	**1,782**
Initial allowance for purchased credit deteriorated loans	**—**	**61**	**848**	**—**	**844**	**1,753**
Balance as of September 30, 2023	**$—**	**$3,062**	**$14,569**	**$988**	**$5,553**	**$24,172**

(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	—	(1,354)	(4,999)	27	2,326	(4,000)
Charge-offs	—	(5)	(2,116)	—	(55)	(2,176)
Recoveries	—	5	2,732	—	11	2,748
Balance as of September 30, 2022	$—	$3,455	$26,189	$307	$4,179	$34,130

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 nine months ended September 30,	2022
Income on accrual risk loans	$460
Income on nonaccrual loans	5,312
Total income on risk loans	$5,772
Average risk loans	$62,155

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 nine months ended September 30, 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	$8,152	$—
Production and intermediate-term	18,164	20,575	3,774	23,907	—
Other	1,218	1,380	297	637	—
Total	$26,271	$29,665	$5,904	$32,696	$—
Impaired loans with no related allowance for loan losses:					
Real estate mortgage	$9,177	$9,705	$—	$10,859	$1,719
Production and intermediate-term	9,892	25,744	—	18,016	4,051
Other	425	661	—	584	2
Total	$19,494	$36,110	$—	$29,459	$5,772
Total impaired loans:					
Real estate mortgage	$16,066	$17,415	$1,833	$19,011	$1,719
Production and intermediate-term	28,056	46,319	3,774	41,923	4,051
Other	1,643	2,041	297	1,221	2
Total	$45,765	$65,775	$5,904	$62,155	$5,772

[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 nine months ended September 30, 2022. We did not have any material commitments to lend to borrowers whose loans have been modified as TDRs as of September 30, 2022.

NOTE 3

Investment Securities

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

Investment Securities

AFS Investment Securities

(in thousands) **September 30, 2023**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Weighted Average Yield**
Commercial paper and other	**$10,082,306**	**$35**	**$1,927**	**$10,080,414**	**5.7%**
U.S. Treasury securities	**4,036,339**	**—**	**117,020**	**3,919,319**	**2.1%**
Mortgage-backed securities	**6,984,702**	**72**	**822,569**	**6,162,205**	**3.5%**
Asset-backed securities	**242,930**	**10**	**3,106**	**239,834**	**4.8%**
Total	**$21,346,277**	**$117**	**$944,622**	**$20,401,772**	**4.3%**

(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 September 30, 2023**	**One Year or Less**	**One to Five Years**	**Five to Ten Years**	**More Than Ten Years**	**Total**
Commercial paper and other	**$10,080,414**	**$—**	**$—**	**$—**	**$10,080,414**
U.S. Treasury securities	**1,700,157**	**2,219,162**	**—**	**—**	**3,919,319**
Mortgage-backed securities	**—**	**136,417**	**109,452**	**5,916,336**	**6,162,205**
Asset-backed securities	**—**	**239,834**	**—**	**—**	**239,834**
Total fair value	**$11,780,571**	**$2,595,413**	**$109,452**	**$5,916,336**	**$20,401,772**
Total amortized cost	**$11,822,972**	**$2,683,186**	**$119,419**	**$6,720,700**	**$21,346,277**
Weighted average yield	**5.0 %**	**3.4 %**	**1.6 %**	**3.5 %**	**4.3 %**

The expected average life is 1.9 years for asset-backed securities and 6.2 years for mortgage-backed securities at September 30, 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 September 30, 2023	**Value**	**Losses**	**Value**	**Losses**
Commercial paper and other	**$8,383,154**	**$1,927**	**$—**	**$—**
U.S. Treasury securities	**1,471,736**	**15,408**	**2,447,584**	**101,612**
Mortgage-backed securities	**1,649,333**	**52,113**	**4,506,855**	**770,456**
Asset-backed securities	**159,666**	**1,320**	**63,883**	**1,786**
Total	**$11,663,889**	**$70,768**	**$7,018,322**	**$873,854**

	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 $893.8 million of U.S. Treasury securities during nine months ended September 30, 2022. There were no AFS investment securities sold during the the nine months ended September 30, 2023.

Based on our analysis, we have not recognized an allowance for credit losses related to our investment portfolio as of September 30, 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 September 30, 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

	September 30, 2023	December 31, 2022	**Regulatory Minimums**	**Capital Conservation Buffer**	**Total**
Risk-adjusted:					
Common equity tier 1 capital ratio	**16.3 %**	16.3 %	4.5 %	2.5 %	7.0 %
Tier 1 capital ratio	**16.8 %**	16.9 %	6.0 %	2.5 %	8.5 %
Total capital ratio	**16.9 %**	16.9 %	8.0 %	2.5 %	10.5 %
Permanent capital ratio	**16.8 %**	16.9 %	7.0 %	— %	7.0 %
Non-risk-adjusted:					
Tier 1 leverage ratio	**5.1 %**	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 September 30, 2023 and December 31, 2022.

Effective August 16, 2023, our board amended our capital plan to require the Associations to provide additional capital to support capitalization strategies at AgriBank as agreed to between the Associations and AgriBank.

Perpetual Preferred Stock

We have $250 million of Series A Preferred Stock (Preferred Stock) outstanding, representing 2.5 million shares at $100 per share par value. This series may be held or transferred in blocks having an aggregate par value of $25 thousand to investors meeting the eligibility requirements and an investor must hold at least 250 shares. We used the net proceeds from the issuance for general corporate purposes. For regulatory capital purposes, our Series A Preferred Stock is included in permanent capital, tier 1 capital and total capital, subject to certain limitations as defined by the FCA.

In compliance with FCA Regulations, AgriBank requested permission from the FCA to redeem, in whole, our Preferred Stock on January 1, 2024. By letter dated October 16, 2023, FCA provided its approval subject to AgriBank continuing to meet applicable regulatory capital requirements following redemption.

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 nine months ended September 30,	**2023**	2022	**2023**	2022
Net periodic benefit cost:				
Service cost	**$16,442**	$19,879	**$92**	$135
Interest cost	**46,494**	27,154	**573**	343
Expected return on plan assets	**(52,316)**	(50,097)	**—**	—
Amortization of prior service credit	**(2,024)**	(2,069)	**—**	—
Amortization of net loss (gain)	**41,094**	36,236	**(1,191)**	(657)
Other cost	**—**	1,163	**—**	—
Net periodic benefit cost	**$49,690**	$32,266	**$(526)**	$(179)

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 nine months ended September 30, 2023, District employers have contributed $37.6 million to fund pension benefits. District employers anticipate contributing an additional $11.3 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 September 30, 2023 was $401.9 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 September 30, 2023	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:				
Loans held for sale	**$—**	**$—**	**$392,460**	**$392,460**
Federal funds and securities purchased under resale agreements	**—**	**1,000,000**	**—**	**1,000,000**
Investments available-for-sale:				
Commercial paper and other	**—**	**10,080,414**	**—**	**10,080,414**
U.S. Treasury securities	**—**	**3,919,319**	**—**	**3,919,319**
Mortgage-backed securities	**—**	**6,162,205**	**—**	**6,162,205**
Asset-backed securities	**—**	**239,834**	**—**	**239,834**
Total investments available-for-sale	**—**	**20,401,772**	**—**	**20,401,772**
Cash collateral posted with counterparties	**93,936**	**—**	**—**	**93,936**
Derivative assets	**—**	**117,130**	**—**	**117,130**
Total assets	**$93,936**	**$21,518,902**	**$392,460**	**$22,005,298**
Liabilities:				
Cash collateral posted by counterparties	**$15,580**	**$—**	**$—**	**$15,580**
Derivative liabilities	**—**	**83,308**	**—**	**83,308**
Total liabilities	**$15,580**	**$83,308**	**$—**	**$98,888**

(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

The loans held for sale are held at fair value. Fair value is based on quoted market prices, where available, or the prices for other similar loans with similar characteristics. Loans held for sale as of September 30, 2023, were related to the expected sale of participation interests to District Associations and were valued using level 3 inputs. Book value approximated fair value; therefore, no gain or loss was recognized related to these loans. On October 1, 2023, $27.3 million of these loans were sold to District Associations.

We had no level 3 assets measured at fair value on a recurring basis at 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 $25.8 million and $21.4 million of collateral dependent loans measured at fair value on a non-recurring basis at September 30, 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 September 30, 2023**	**Total Carrying Amount**	**Fair Value Measurement Using**			**Total Fair Value**
		Level 1	**Level 2**	**Level 3**	
Assets:					
Cash	**$4,120,214**	**$4,120,214**	**$—**	**$—**	**$4,120,214**
Net loans held to maturity	**142,674,570**	**—**	**—**	**132,676,440**	**132,676,440**
Total assets	**$146,794,784**	**$4,120,214**	**$—**	**$132,676,440**	**$136,796,654**
Liabilities:					
Bonds and notes	**$161,182,704**	**$—**	**$—**	**$151,527,503**	**$151,527,503**
Total liabilities	**$161,182,704**	**$—**	**$—**	**$151,527,503**	**$151,527,503**
Unrecognized financial instruments:					
Commitments to extend credit and letters of credit		**$—**	**$—**	**$(2,287)**	**$(2,287)**

(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
Total liabilities	$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 September 30, 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	2,075	9,445	2,600	—	14,120
Maturities/amortization	—	(7,575)	(200)	(25)	(7,800)
As of September 30, 2022	$2,975	$7,412	$3,800	$117	$14,304
As of December 31, 2022	$3,526	$4,865	$3,800	$120	$12,311
Additions	**1,500**	**4,675**	**400**	**—**	**6,575**
Maturities/amortization	**(350)**	**(3,505)**	**(2,650)**	**(6)**	**(6,511)**
As of September 30, 2023	**$4,676**	**$6,035**	**$1,550**	**$114**	**$12,375**

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 September 30, 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)	**September 30, 2023**	December 31, 2022
Notional amount[1]	**$1,865,035**	$4,370,313
Cash collateral posted by counterparties	**(15,580)**	(7,280)
Securities posted by counterparties	**(7,780)**	(4,714)
Total collateral posted by counterparties, net	**$(23,360)**	$(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)	**September 30, 2023**	December 31, 2022
Notional Amount	**$10,510,035**	$7,940,313
Initial margin posted with counterparties	**$93,936**	$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 income (loss), 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)	September 30, 2023 Fair Value Assets	September 30, 2023 Fair Value Liabilities	December 31, 2022 Fair Value Assets	December 31, 2022 Fair Value Liabilities
Derivatives designated as hedging instruments:				
Receive-fixed swaps	**$—**	**$71,217**	$—	$72,410
Pay-fixed swaps	**255,993**	**—**	99,449	2,927
Floating-for-floating swaps	**17,396**	**—**	15,743	45
Total derivatives designated as hedging instruments	**273,389**	**71,217**	115,192	75,382
Derivatives not designated as hedging instruments:				
Pay-fixed swaps	**13,141**	**—**	11,612	—
Other derivative products	**—**	**12,091**	29	10,402
Total derivatives not designated as hedging instruments	**13,141**	**12,091**	11,641	10,402
Variation margin settled	**(169,218)**	**—**	(12,019)	—
Credit valuation adjustments	**(182)**	**—**	(232)	—
Total gross amounts of derivatives	**$117,130**	**$83,308**	$114,582	$85,784

(in thousands)	September 30, 2023	December 31, 2022
Derivative assets	**$117,130**	$114,582
Derivative liabilities	**(83,308)**	(85,784)
Accrued interest payable on derivatives, net	**(4,647)**	(733)
Gross amounts not offset in Statements of Condition:		
Cash collateral posted by counterparties	**(15,580)**	(7,280)
Cash collateral posted with counterparties	**93,936**	56,504
Securities posted as collateral pledged by counterparties	**(7,780)**	(4,714)
Net exposure amounts	**$99,751**	$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, $57.9 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 nine months ended September 30, 2023**	**Amount of Gain (Loss) Recognized in OCI on Derivatives**	**Amount of Gain (Loss) Reclassified from AOCI into Income**
Pay-fixed swaps	**$201,862**	**$26,948**
Floating-for-floating swaps	**(1,673)**	**(3,370)**
Total	**$200,189**	**$23,578**

(in thousands) For the nine months ended September 30, 2022	Amount of Gain Recognized in OCI on Derivatives	Amount of Loss Reclassified from AOCI into Income
Pay-fixed swaps	$144,989	$(25,583)
Floating-for-floating swaps	17,112	(2,019)
Total	$162,101	$(27,602)

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 nine months ended September 30, 2023.

(in thousands)	**Other income (loss), net**		**Interest Expense**	
For the nine months ended September 30,	**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:	**$1,648**	$(582)	**$3,645,043**	$1,357,586
Asset and Liability Management Positions				
Fair value hedges:				
Interest rate derivatives	**—**	—	**(1,244)**	64,208
Bonds and notes	**—**	—	**520**	(63,580)
Cash flow hedges:				
Interest rate derivatives	**—**	—	**(23,578)**	27,603
Economic hedges:				
Interest rate derivatives	**(189)**	(585)	**—**	—
Commodity derivatives	**—**	(1,328)	**—**	—

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)	**September 30, 2023**	December 31, 2022	**September 30, 2023**	December 31, 2022
Line Item on the Statements of Condition				
Bonds and notes	**$4,599,597**	$3,448,815	**$(72,031)**	$(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	(787,374)	162,101	—	(625,273)
Amounts reclassified from accumulated other comprehensive loss	3,998	27,602	177	31,777
Net other comprehensive (loss) income	(783,376)	189,703	177	(593,496)
Balance at September 30, 2022	$(861,714)	$59,040	$(1,777)	$(804,451)
Balance at December 31, 2022	$(925,758)	$58,824	$(1,696)	$(868,630)
Other comprehensive (loss) income before reclassifications	**(18,747)**	**200,189**	—	**181,442**
Amounts reclassified from accumulated other comprehensive loss	—	**(23,578)**	**138**	**(23,440)**
Net other comprehensive income	**(18,747)**	**176,611**	**138**	**158,002**
Balance at September 30, 2023	**$(944,505)**	**$235,435**	**$(1,558)**	**$(710,628)**

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 November 9, 2023, which is the date the Financial Statements were available to be issued.

In compliance with FCA Regulations, AgriBank requested permission from the FCA to redeem, in whole, our Preferred Stock on January 1, 2024. By letter dated October 16, 2023, FCA provided its approval subject to AgriBank continuing to meet applicable regulatory capital requirements following redemption.

On October 1, 2023, we sold loans totaling $27.3 million back to the originating District Associations. Additionally, on November 1, 2023, we purchased loan participation interests and unfunded commitments totaling $7.1 billion, with funded balances of $5.7 billion, as part of asset pool programs with District Associations.

There have been no other 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	Third Quarter 2023 Report Reference
Scope of Application	Corporate entity and consolidated subsidiaries	43
Capital Structure	Regulatory capital components	43
Capital Adequacy	Risk-weighted assets Regulatory capital ratios	44
Capital Buffers	Quantitative disclosures	44
Credit Risk	Summary of exposures Geographic distribution Additional industry and counterparty distribution Contractual maturity Impaired loans and allowance for credit losses	45-46
Counterparty Credit Risk-Related Exposures	Counterparty exposures	47
Credit Risk Mitigation	Exposures with reduced capital requirements	47
Securitization	Securitization exposures	47-48
Equities	Equity exposures	48
Interest Rate Risk for Non-trading Activities	Interest rate sensitivity	48-49

Scope of Application

AgriBank is primarily owned by Farm Credit Associations (District Associations). District Associations are composed of Agricultural Credit Associations, each of which has wholly owned Farm Land Credit Association and Production Credit Association subsidiaries. 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 September 30, 2023**	**3-month Average Daily Balance**
Common Equity Tier 1 Capital (CET1)	
Common Cooperative Equities:	
Statutory minimum purchased borrower stock	**$21**
Other required member purchased stock	**2,935,654**
Allocated equities:	
Allocated stock subject to retirement	**2,002,069**
Qualified allocated equities subject to retirement	**—**
Nonqualified allocated equities subject to retirement	**—**
Nonqualified allocated equities not subject to retirement	**—**
Unallocated retained earnings	**3,353,865**
Paid-in capital	**—**
Regulatory adjustments and deductions made to CET1	**(10,568)**
Total CET1	**$8,281,041**
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	**$8,531,041**
Total Capital	
Common Cooperative Equities not included in CET1	**$—**
Subordinated debt	**—**
Adjusted allowance for credit losses[1]	**26,801**
Regulatory adjustments and deductions made to total capital	**—**
Total tier 2 capital	**26,801**
Total Capital	**$8,557,842**

[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 September 30, 2023	
Exposures to:	
Sovereign entities	**$—**
Foreign bank entities	**648,334**
Government-sponsored enterprises[1]	**26,390,744**
Depository institutions and credit unions[2]	**74,771**
Public sector entities	**—**
Corporate, including borrower loans	**21,570,510**
Residential mortgage	**1,444,034**
Past due and nonaccrual	**136,621**
Securitization exposures	**314,764**
Cleared transactions	**2,027**
Unsettled transactions	**—**
All other assets	**158,877**
Deductions:	
Regulatory adjustments and deductions made to CET1	**10,568**
Regulatory adjustments and deductions made to AT1[3]	**—**
Regulatory adjustments and deductions made to T2[4]	**—**
Total standardized risk-weighted assets	**$50,730,114**

[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 September 30, 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 $889.8 million as of September 30, 2023.

Regulatory Capital Requirements and Ratios

	Regulatory Minimums	**Required Buffer**	**As of September 30, 2023**	**Calculated Buffer**
Common equity tier 1 capital ratio	4.5 %	2.5 %	**16.3 %**	**11.8 %**
Tier 1 capital ratio	6.0 %	2.5 %	**16.8 %**	**10.8 %**
Total capital ratio	8.0 %	2.5 %	**16.9 %**	**8.9 %**
Capital conservation buffer				**8.9 %**
Tier 1 leverage ratio	4.0 %	1.0 %	**5.1 %**	**1.1 %**
Leverage buffer				**1.1 %**

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 September 30, 2023. Refer to Note 3 of the accompanying Financial Statements 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 September 30, 2023**	End of Period	3-month Average Daily Balance
Loans	**$143,115,762**	**$140,226,739**
Investments[1]	**21,401,772**	**23,805,932**
Loan and other commitments	**33,914,964**	**32,764,979**
Letters of credit	**188,645**	**181,776**

[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 September 30, 2023**	Notional Amount	Gross Positive Value	Notional Amount	Gross Positive Value
Cleared derivatives	**$10,510,035**	**$164,268**	**$10,408,132**	**$83,256**
Bilateral derivatives	**1,865,035**	**46,754**	**1,706,067**	**34,932**

Exposures by Final Contractual Maturity

(in thousands) **As of September 30, 2023**	One Year or Less	Over One Year but Less than Five Years	Five Years or More	Total
Wholesale loans	**$—**	**$126,381,436**	**$—**	**$126,381,436**
Retail loans[1]	**5,245,801**	**6,063,600**	**6,802,979**	**18,112,380**
Investments[2]	**12,780,571**	**2,595,413**	**6,025,788**	**21,401,772**
Wholesale loan commitments	**1,000**	**29,307,744**	**—**	**29,308,744**
Retail loan and other commitments [3]	**2,647,700**	**1,749,310**	**209,210**	**4,606,220**
Cleared derivative notional	**4,775,000**	**3,049,122**	**2,685,913**	**10,510,035**
Bilateral derivative notional	**—**	**1,399,122**	**465,913**	**1,865,035**

[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 September 30, 2023

Wholesale Portfolio		Retail Portfolio	
Iowa	**10 %**	Illinois	**10 %**
Illinois	**9 %**	Minnesota	**10 %**
Minnesota	**7 %**	Nebraska	**8 %**
Nebraska	**7 %**	Indiana	**6 %**
Indiana	**7 %**	Ohio	**6 %**
Michigan	**6 %**	Tennessee	**6 %**
Ohio	**5 %**	Iowa	**5 %**
Wisconsin	**5 %**	Missouri	**5 %**
South Dakota	**5 %**	Other	**44 %**
Other	**39 %**		
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 September 30, 2023

Retail Portfolio	
Crops	**53 %**
Cattle	**9 %**
Loans to OFIs	**9 %**
Food Products	**6 %**
Other	**23 %**
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 September 30, 2023**	**3-month Average Daily Balance**	**Risk-weighted 3-month Average Daily Balance**
Unconditionally guaranteed		
Loans	**$168**	**$—**
Conditionally guaranteed		
Loans	**20,325**	**4,065**
Commitments	**6**	**—**
Total	**$20,499**	**$4,065**

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 September 30, 2023**	**3-month Average Daily Balance**	**Risk-weighted 3-month Average Daily Balance**
Unconditionally guaranteed	**$13,242,628**	**$—**
Conditionally guaranteed	**1,468,264**	**289,304**
Total	**$14,710,892**	**$289,304**

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 September 30, 2023.

Securitization

For the three months ended September 30, 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 September 30, 2023**	**Exposure**	**Weighted average risk-weight factor**	**Risk-weighted assets**
Gross up risk weight bands:			
100%	**$8,688**	**100%**	**$8,688**
> 100% and < 1,250%	**160,704**	**190%**	**306,076**
1250%	**—**	**1250%**	**—**
Total risk-weighted securitization assets	**$169,392**	**186%**	**$314,764**

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 September 30, 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 September 30, 2023**	**Disclosed in Other Assets**	**Life-to-Date losses recognized in Retained Earnings[(1)]**
RBIC	**$27,351**	**$5,120**

[(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 September 30, 2023, the down scenario was not limited.

NII Sensitivity Analysis

	Basis Point Interest Rate Change			
As of September 30, 2023	**Down 200**	**Down 100**	**Up 100**	**Up 200**
Immediate Change (Shock):				
NII sensitivity	**(6.6)%**	**(2.8)%**	**1.6 %**	**2.2 %**
Board policy	**(15.0)%**			**(15.0)%**
Gradual Change (Ramp):				
NII sensitivity			**1.3 %**	**2.3 %**

Economic Value of Equity (EVE) Sensitivity Analysis

	Basis Point Interest Rate Change			
As of September 30, 2023	**Down 200**	**Down 100**	**Up 100**	**Up 200**
Immediate Change (Shock):				
EVE sensitivity	**6.5 %**	**2.9 %**	**(3.0)%**	**(5.8)%**
Board policy	**(12.0)%**			**(12.0)%**

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30 East 7th Street, Suite 1600 | St. Paul, MN 55101 | www.AgriBank.com