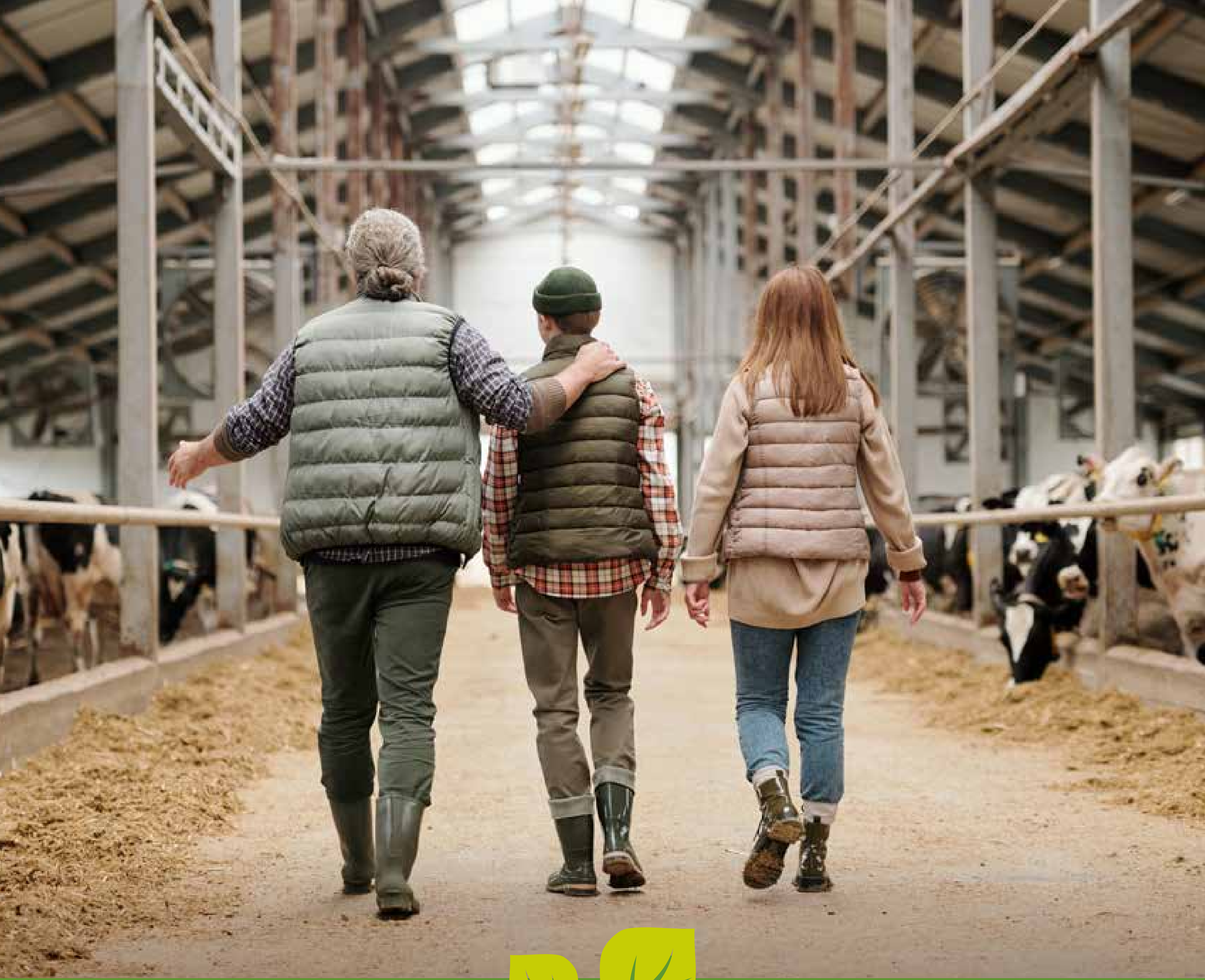

Your Funding Bank

People. Partnerships. Solutions.

AGRIBANK DISTRICT 2023 FINANCIAL INFORMATION
Unaudited
SEPTEMBER 30, 2023
AGRIBANK, FCB and DISTRICT ASSOCIATIONS

AgriBank
FARM CREDIT BANK

AgriBank District Financial Information
AgriBank, FCB and District Associations
unaudited

INTRODUCTION AND DISTRICT OVERVIEW

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

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

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

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

Combined Financial Highlights

AgriBank, FCB and District Associations

(dollars in thousands)

	September 30, 2023	December 31, 2022
Total loans	**$160,168,281**	$152,142,301
Allowance for credit losses on loans	**373,372**	320,963
Net loans	**159,794,909**	151,821,338
Total assets	**193,642,258**	179,360,653
Total shareholders' equity	**29,782,448**	28,078,287
For the nine months ended September 30,	**2023**	2022
Net interest income	**$3,423,962**	$2,919,910
Provision for credit losses	**193,256**	(56,903)
Net fee income	**78,689**	77,041
Net income	**2,084,812**	1,942,974
Net interest margin	**2.5 %**	2.4 %
Return on average assets	**1.5 %**	1.5 %
Return on average shareholders' equity	**9.6 %**	9.4 %
Operating and other expenses as a percentage of net interest income and non-interest income	**37.6 %**	40.2 %
Net loan (charge-offs) recoveries as a percentage of average loans	**(0.05)%**	0.01 %
Average loans	**$153,847,392**	$143,057,962
Average earning assets	**180,241,121**	164,888,411
Average assets	**184,434,462**	167,806,843

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Net income was $2.1 billion for the nine months ended September 30, 2023, an increase of $141.8 million, or 7.3 percent, compared to the same period of the prior year. Net interest income increased and was primarily driven by the benefit of equity financing, due to increased interest rates compared to the the same period of the prior year. In general, the agricultural sector continues to perform well with a few exceptions, including hog production. Increased provision for credit losses in the current year are primarily related to a few largely participated credits in various agribusiness related industries and, to a lesser extent, stress in the hog production portfolio. Additionally, portfolio growth and some credit quality erosion contributed to the recognition of provision for credit losses in the current year. The increase in non-interest expense was primarily due to higher salaries and employee benefits costs, including pension, and higher occupancy and equipment expense.

Net Interest Income
Net interest income increased $504.1 million, or 17.3 percent, compared to the same period of the prior year. The increase was primarily driven by the benefit of equity financing due to increased interest rates compared to the the same period of the prior year. Higher earnings on investment securities as a result of widened credit spreads, also contributed to the increase. Additionally, the positive impact of higher loan volume on net interest income was substantially offset by compressed spreads, compared to the same period of the prior year, reflecting the competitive environment.

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

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

Net interest margin was 2.5 percent for the nine months ended September 30, 2023, an increase compared to the same period of the prior year. The significant rise in interest rates since the beginning of 2022 has led to a rise in yield on earning assets financed by equity as the benefit of equity financing is greater in a rising interest rate environment. The favorable impact of equity financing from rising interest rates has more than offset the overall decline in spreads.

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

Through the first three quarters of 2023, District Associations have experienced only minor credit deterioration. However, a few large participated credits in niche industries moved to nonaccrual during the first quarter, resulting in specific reserves across many District entities, with subsequent increases during the second and third quarters, which was the primary driver of the provision for credit losses during the nine months ended September 30, 2023. Additionally, specific reserves for certain borrowers within the pork industry contributed to the year-to-date provision.

There was $193.3 million of provision for credit losses recognized during the nine months ended September 30, 2023. At the agricultural producer level, strong net farm income and positive working capital positions continue to support high District credit quality. Favorable commodity prices have continued throughout 2023, while generally lower from very strong prices experienced in 2022, are having a generally positive impact on the crop and certain livestock sectors, primarily cattle. Lower commodity prices in the dairy and pork sectors continue to challenge producers and processors in these sectors. However, due to the strong collateral positions, there has been limited impact to the provision for credit losses.

The allowance analyses performed at District Associations generally reflect the favorable positions for large portions of the respective portfolios. The year-over-year fluctuations for the District's provision for credit losses will be impacted by each institution's relative exposure to agricultural sectors and the current and expected related economic conditions. Further, the implementation of the Current Expected Credit Loss (CECL) model in 2023 will prohibit direct comparability year-over-year.

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

Non-interest Income
Non-interest income decreased primarily due to a non-recurring transaction in 2023 at certain District Associations. To a lesser extent, mineral income decreased due to lower oil prices.

Non-interest Expense
Non-interest expense increased compared to the same period of the prior year. This was due to higher salaries and benefits expense, a result of an increased workforce and annual merit increases that took effect during the first quarter of 2023 as well as increased pension interest cost, driven by higher discount rates compared to the prior year. Lastly, software contracts and hardware purchases drove higher occupancy and equipment expense.

Loan Portfolio

District Loans by Loan Type

(in thousands)	**September 30, 2023**	December 31, 2022
Real estate mortgage	**$83,698,447**	$81,922,794
Production and intermediate-term	**34,248,007**	32,877,711
Agribusiness:		
Loans to cooperatives	**1,694,087**	1,660,824
Processing and marketing	**21,828,851**	20,255,157
Farm-related businesses	**2,653,455**	2,126,236
Rural infrastructure:		
Power	**4,248,271**	2,867,872
Communications	**3,794,928**	3,347,274
Water/Wastewater	**886,481**	464,091
Rural residential real estate	**2,693,421**	2,635,874
Agricultural export finance	**485,242**	485,230
Lease receivables	**364,142**	296,771
Loans to other financing institutions	**988,020**	749,969
Mission related investments	**2,584,929**	2,452,498
Total	**$160,168,281**	$152,142,301

District loans increased $8.0 billion, or 5.3 percent, from December 31, 2022. The increase in total loans was primarily due to increases in rural infrastructure loans, as well as agribusiness loans. During the nine months ended September 30, 2023, purchased participations from CoBank within the rural infrastructure sector made up the largest increases. The increase in power purchased participations was due to the high growth of opportunities in solar, wind and natural gas systems. Increasing market momentum around environmental investing, particularly renewables, has increased borrowing needs. Growth in communications loans across District Associations has remained steady as a result of the continued surge in the investment in data, digitization and advanced fiber networks for rural buildouts. Growth in water/wastewater purchased participations was due to increased loan purchase opportunities and existing clients growing their borrowings to support rural infrastructure replacement and improvements.

Also, contributing to the overall increase in the loans portfolio was continued growth in the agribusiness sector. Demand remains strong in this area for many District Associations, particularly in the first quarter, as there has been higher operating line usage for grain elevator, farm supply and renewable fuel customers due to higher prices in 2023. The second and third quarter growth was substantially offset by cyclical repayments. In the normal seasonal course of selling inventories, customer proceeds are typically used for repayments.

The increase in real estate mortgage loans for the nine months ended September 30, 2023 was a result of new originations. Despite the high interest rate environment, growth in originations across the District Associations has resumed with new originations beginning to out pace early year payments.

The production and intermediate loan portfolio exhibits some seasonality relating to the patterns of operating loans made to crop producers. Operating loans are normally at their lowest levels following the harvest and then increase in the spring and throughout the rest of the year as borrowers fund operating needs. Additionally, operating loan balances tend to spike at the end of the calendar year as producers purchase inputs for the upcoming crop year, followed by sharp repayments in January. In addition to seasonality, purchased participations drove growth in this segment for some District Associations. However, plentiful cash inflows from strong crop yields and strong grain prices that have resulted in pay downs, coupled with the rise in short-term interest rates have somewhat limited the utilization of operating lines across the District throughout 2023.

Loan Quality

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

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

District Loan Quality by Origination Year

(in thousands)

Balance as of September 30, 2023	Acceptable	Special Mention	Substandard	Doubtful	Total by Year	Current Period Charge-offs
2023	**$18,851,653**	**$357,942**	**$247,441**	**$758**	**$19,457,794**	**$2,066**
2022	**25,204,918**	**437,829**	**389,206**	**8,742**	**26,040,695**	**1,338**
2021	**24,718,121**	**324,291**	**271,561**	**2,278**	**25,316,251**	**853**
2020	**18,873,633**	**293,459**	**302,220**	**559**	**19,469,871**	**61,780**
2019	**9,658,159**	**149,837**	**341,658**	**3**	**10,149,657**	**1,814**
Prior	**35,203,911**	**638,505**	**772,904**	**427**	**36,615,747**	**3,086**
Revolving loans	**21,754,092**	**521,226**	**653,017**	**7,044**	**22,935,379**	**5,913**
Revolving converted to term loans	**123,437**	**18,849**	**39,960**	**641**	**182,887**	**1,243**
Total	**$154,387,924**	**$2,741,938**	**$3,017,967**	**$20,452**	**$160,168,281**	**$78,093**

Favorable commodity prices in certain sectors have supported positive credit quality, net farm income and farm sector working capital throughout the nine months ended September 30, 2023. However, lower commodity prices in the dairy and pork sectors continue to challenge producers and processors in these sectors. Despite these challenges, credit quality is expected to remain relatively stable due to strong collateral positions across the District portfolio. The District has also maintained disciplined origination standards supporting high-quality loans. Substandard/Doubtful loans, collectively called adverse loans, are loans AgriBank and District Associations have identified as showing some credit weakness according to established credit standards. No loans were categorized as loss as of September 30, 2023 or December 31, 2022.

Nonaccrual Loans

(in thousands)	**September 30, 2023**	December 31, 2022
Nonaccrual Loans:		
Real estate mortgage	**$375,405**	$201,871
Production and intermediate-term	**297,175**	100,818
Agribusiness	**101,708**	94,060
Rural infrastructure	**23,080**	4,455
Rural residential real estate	**9,770**	10,859
Other	**2,541**	1,228
Total nonaccrual loans	**$809,679**	$413,291

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

Nonaccrual loans increased at September 30, 2023, compared to the prior year as the result of two large borrowers in the tree fruits and biofuels industries moving to nonaccrual during the first quarter, which are broadly participated across the District. Further contributing to the increase in the second and third quarters has been stress in the pork industry for both producers and processors. Partially offsetting were decreases in the agribusiness sector due to repayments from a large borrower. Additionally, nonaccrual loans decreased from June 30, 2023 as a result of the charge-off related to a large borrower in the meat products industry.

Despite the increase in nonaccrual loans, loan performance has been positively impacted by working capital and commodity prices.

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	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$166,849**	**$133,271**	**$300,120**	**$83,398,327**	**$83,698,447**	**$17,511**
Production and intermediate-term	**122,947**	**151,165**	**274,112**	**33,973,895**	**34,248,007**	**54,841**
Agribusiness	**78,593**	**50,425**	**129,018**	**26,047,375**	**26,176,393**	**3,201**
Rural infrastructure	**2,117**	**—**	**2,117**	**8,927,563**	**8,929,680**	**—**
Rural residential real estate	**10,283**	**2,752**	**13,035**	**2,680,386**	**2,693,421**	**350**
Other	**152,037**	**61,955**	**213,992**	**4,208,341**	**4,422,333**	**60,449**
Total	**$532,826**	**$399,568**	**$932,394**	**$159,235,887**	**$160,168,281**	**$136,352**

As of December 31, 2022	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$129,765	$34,505	$164,270	$82,673,321	$82,837,591	$625
Production and intermediate-term	108,572	28,763	137,335	33,203,528	33,340,863	1,990
Agribusiness	49,953	1,863	51,816	24,120,531	24,172,347	—
Rural infrastructure	—	—	—	6,697,686	6,697,686	—
Rural residential real estate	11,095	2,870	13,965	2,632,286	2,646,251	79
Other	126,395	146,669	273,064	3,747,102	4,020,166	145,826
Total	$425,780	$214,670	$640,450	$153,074,454	$153,714,904	$148,520

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

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

Overall, delinquencies at September 30, 2023 increased slightly when compared to the year ended 2022.

The increase in the 30-89 days past due category was primarily due to production and intermediate term, real estate mortgage and agribusiness loans at one association that became past due during the third quarter of 2023.

The increase in loans 90 days or more past due was mainly due to deterioration in the production and intermediate term and real estate mortgage loans categories during the third quarter. Delinquencies were related to large borrowers mainly in the tree nuts and pork industries. Additionally, the agribusiness increases were mainly the result of the continued delinquency migration for loans to one borrower in the biofuels industry.

The decrease in accruing loans 90 days or more past due at September 30, 2023, when compared to December 31, 2022, was largely due to the collection of USDA guaranteed loans in the other category in the first quarter of 2023. Additionally, in the third quarter, past due issues on a number of USDA mission related loans were resolved resulting in a further reduction of the category. Somewhat offsetting were new USDA guaranteed loan delinquencies, from multiple borrowers, at a few District Associations in the second quarter and third quarters.

All of the loans within the Other category, which were accruing loans 90 days or more past due as of September 30, 2023, were 100 percent secured by federal government guarantees.

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

Changes in Allowance for Credit Losses by Loan Type

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Allowance for credit losses on loans:							
Balance at December 31, 2022	**$86,370**	**$92,404**	**$121,822**	**$14,184**	**$3,221**	**$2,962**	**$320,963**
Cumulative effect of change in accounting principle	**22,704**	**(47,260)**	**(43,277)**	**(4,183)**	**2,613**	**5,320**	**(64,083)**
Provision for credit losses	**816**	**106,011**	**65,386**	**11,324**	**(1,151)**	**4,864**	**187,250**
Loan recoveries	**1,728**	**3,111**	**1,441**	**—**	**111**	**18**	**6,409**
Loan charge-offs	**(1,060)**	**(8,490)**	**(66,902)**	**(705)**	**(92)**	**(844)**	**(78,093)**
Adjustment due to merger	**(482)**	**(111)**	**(220)**	**(4)**	**(10)**	**—**	**(827)**
Initial allowance for purchased credit deteriorated loans	**61**	**848**	**818**	**25**	**1**	**—**	**1,753**
Balance at September 30, 2023	**$110,137**	**$146,513**	**$79,068**	**$20,641**	**$4,693**	**$12,320**	**$373,372**
Allowance for unfunded commitments:							
Balance at December 31, 2022	**$4,413**	**$13,142**	**$10,289**	**$328**	**$—**	**$(19)**	**$28,153**
Cumulative effect of change in accounting principle	**(228)**	**(1,552)**	**7,361**	**977**	**98**	**184**	**6,840**
Provision for credit losses	**69**	**7,118**	**(1,826)**	**678**	**6**	**(39)**	**6,006**
Balance at September 30, 2023	**$4,254**	**$18,708**	**$15,824**	**$1,983**	**$104**	**$126**	**$40,999**

(in thousands)	Real Estate Mortgage	Production and Intermediate-Term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Allowance for credit losses on loans:							
Balance at December 31, 2021	$140,904	$123,613	$90,460	$9,551	$4,194	$3,637	$372,359
Provision for credit losses	(47,810)	(39,467)	28,777	2,998	(894)	(507)	(56,903)
Loan recoveries	950	14,330	143	188	146	—	15,757
Loan charge-offs	(1,676)	(4,428)	(8)	—	(262)	—	(6,374)
Adjustment due to merger	(285)	(1,821)	(1,369)	(444)	—	(3)	(3,922)
Reclassification (to) from reserve for unfunded commitments*	—	568	—	—	—	—	568
Balance at September 30, 2022	$92,083	$92,795	$118,003	$12,293	$3,184	$3,127	$321,485

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

Investments

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

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

The majority of District investments carry a full faith and credit guarantee of the U.S. government or an implicit credit guarantee from its agencies. Therefore, AgriBank and District Associations have not recognized any allowances for credit losses on investments as of September 30, 2023.

Investment Information

(in thousands) **As of September 30, 2023**	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
AgriBank investments	**$21,346,277**	**$117**	**$944,622**	**$20,401,772**
District Association investments	**4,305,885**	**28,615**	**130,386**	**4,204,114**
Total District investments	**$25,652,162**	**$28,732**	**$1,075,008**	**$24,605,886**
(in thousands) As of December 31, 2022	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
AgriBank investments	$21,019,681	$617	$926,375	$20,093,923
District Association investments	2,840,942	1,826	203,342	2,639,426
Total District investments	$23,860,623	$2,443	$1,129,717	$22,733,349

District Capital

AgriBank and District Associations believe a sound capital position is critical to long-term financial stability. AgriBank and District Associations maintain adequate capital to protect against unanticipated losses as well as to meet growth needs. Total shareholders' equity increased $1.7 billion, primarily resulting from net income for the nine months ended September 30, 2023, partially offset by patronage accruals.

Accumulated Other Comprehensive Loss

(in thousands)	**September 30, 2023**	December 31, 2022
Investment securities activity	**$(944,505)**	$(925,758)
Derivatives and hedging activity	**235,435**	58,824
Employee benefit plans activity	**(482,466)**	(519,393)
Total accumulated other comprehensive loss	**$(1,191,536)**	$(1,386,327)

The decrease in accumulated other comprehensive loss as of September 30, 2023 compared to the year ended December 31, 2022 relates to the change in derivative and hedging activity. The investment portfolio decreased in market value and the unrealized losses increased as long-term rates have risen since the purchase of these investments.

The increase in market value of AgriBank's long-term pay-fixed rate swap portfolio was the result of a large volume of swaps that were executed throughout the first half of the year. Since the inception of these swaps, long-term rates have risen, increasing the market value of the pay-fixed swap portfolio designated as cash flow hedges.

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

Regulatory Capital Requirements and Ratios

As of September 30, 2023	Primary Components of Numerator	Regulatory Minimums	Minimum with Buffer	Bank	District Associations[5]
Risk adjusted:					
Common equity tier 1 capital ratio (CET1)	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	4.5 %	7.0 %	**16.3 %**	**12.7 % - 17.7 %**
Tier 1 capital ratio	CET1 capital, non-cumulative perpetual preferred stock	6.0 %	8.5 %	**16.8 %**	**13.4 % - 17.7 %**
Total capital ratio	Tier 1 capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4]	8.0 %	10.5 %	**16.9 %**	**14.3 % - 17.9 %**
Permanent capital ratio	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.0 %	7.0 %	**16.8 %**	**14.1 % - 17.7 %**
Non-risk adjusted:					
Tier 1 leverage ratio	Tier 1 capital	4.0 %	5.0 %	**5.1 %**	**13.4 % - 20.0 %**
UREE leverage ratio	URE and URE Equivalents	1.5 %	1.5 %	**2.0 %**	**12.0 % - 19.9 %**

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

Other Matters

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.

In compliance with FCA Regulations, Compeer requested permission from the FCA to redeem, in whole, their Series A-1 Preferred Stock. By letter dated October 4, 2023, FCA provided its approval subject to Compeer continuing to meet applicable regulatory capital requirements following redemption. Stockholders were notified on October 13, 2023, that the preferred stock would be redeemed on November 15, 2023.

In compliance with FCA Regulations, AgriBank requested permission from the FCA to redeem, in whole, their Series A 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.

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

Effective 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 District Associations, Farm Credit Midsouth, ACA and Farm Credit Mid-America, ACA, merged and are doing business as Farm Credit Mid-America, ACA, headquartered in Louisville, Kentucky.

In 2021, Delta, ACA's (Delta's) board of directors determined that it was in the best interests of Delta to voluntarily dissolve and approved a preliminary resolution to proceed with a plan to voluntarily liquidate and dissolve the Association (the Plan). 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.

Select Information on AgriBank District Associations

(in thousands)

As of September 30, 2023	Wholesale Loan Amount	% of Wholesale Portfolio	Total Assets	Total Allowance and Capital	Total [3] Regulatory Capital Ratio	Nonperforming [1] as a % of Total Loans	Return on Assets
Farm Credit Services of America	$35,151,829	28.0%	$43,289,342	$7,716,939	14.3%	0.5%	1.8%
Farm Credit Mid-America[2][4]	28,547,973	22.8%	35,044,962	6,097,521	15.9%	0.7%	1.6%
Compeer Financial	24,628,049	19.6%	30,372,672	5,006,952	14.4%	1.0%	1.6%
GreenStone Farm Credit Services	11,247,762	9.0%	13,897,039	2,430,668	14.7%	0.5%	2.1%
AgCountry Farm Credit Services[2]	10,396,847	8.3%	13,247,701	2,655,747	15.8%	0.4%	1.9%
FCS Financial	4,748,218	3.8%	6,059,630	1,181,816	15.2%	0.3%	1.9%
Farm Credit Illinois	4,953,888	4.0%	6,254,409	1,245,718	16.7%	0.2%	1.7%
AgHeritage Farm Credit Services	1,965,050	1.6%	2,453,964	461,851	15.8%	0.5%	2.0%
Farm Credit Services of Western Arkansas	1,533,766	1.2%	1,972,105	383,370	17.7%	0.9%	1.7%
Farm Credit Services of Mandan	1,236,022	1.0%	1,616,702	358,065	17.9%	0.7%	1.9%
Farm Credit Southeast Missouri	842,109	0.7%	1,063,167	207,231	17.8%	0.4%	2.1%
Delta Agricultural Credit Association [3]	—	—%	6,503	6,506	NM	NM	NM
Total	$125,251,513	100.0%	$155,278,196	$27,752,384			

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

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

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

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

Combined Balance Sheets

AgriBank, FCB and District Associations

(unaudited)

(in thousands)

	September 30, 2023	December 31, 2022
Assets		
Cash	**$4,163,289**	$1,453,504
Federal funds and securities purchased under resale agreements	**1,000,000**	—
Investments	**24,707,657**	22,934,865
Loans	**160,168,281**	152,142,301
Allowance for credit losses on loans	**373,372**	320,963
Net loans	**159,794,909**	151,821,338
Accrued interest receivable	**2,310,458**	1,645,338
Premises and equipment, net	**758,954**	727,362
Other assets	**906,991**	778,246
Total assets	**$193,642,258**	$179,360,653
Liabilities		
Bonds and notes	**$156,039,017**	$145,035,837
Subordinated notes	**200,000**	200,000
Member investment bonds	**5,143,686**	3,193,161
Accrued interest payable	**911,944**	644,677
Patronage distribution payable	**553,948**	1,128,598
Other liabilities	**1,011,215**	1,080,093
Total liabilities	**163,859,810**	151,282,366
Shareholders' equity		
Preferred stock	**450,000**	450,000
Capital stock and participation certificates	**394,730**	380,375
Capital stock and participation certificates receivable	**(144,298)**	(132,504)
Additional paid-in capital	**2,663,018**	2,443,241
Allocated retained earnings	**215,028**	215,380
Unallocated retained earnings	**27,245,844**	25,972,986
Accumulated other comprehensive loss	**(1,191,536)**	(1,386,327)
Noncontrolling interest	**149,662**	135,136
Total shareholders' equity	**29,782,448**	28,078,287
Total liabilities and shareholders' equity	**$193,642,258**	$179,360,653

Combined Statements of Income

AgriBank, FCB and District Associations

(unaudited)

(in thousands)	Three months		Nine months	
For the periods ended September 30,	**2023**	2022	**2023**	2022
Interest Income				
Loans	**$2,238,587**	$1,540,547	**$6,238,949**	$4,096,654
Investment securities and other earning assets	**334,662**	96,060	**847,348**	186,910
Total interest income	**2,573,249**	1,636,607	**7,086,297**	4,283,564
Interest Expense	**1,387,425**	628,404	**3,662,335**	1,363,654
Net interest income	**1,185,824**	1,008,203	**3,423,962**	2,919,910
Provision for credit losses	**27,500**	5,100	**193,256**	(56,903)
Net interest income after provision for credit losses	**1,158,324**	1,003,103	**3,230,706**	2,976,813
Non-interest income				
Net fee income	**27,760**	29,332	**78,689**	77,041
Financially related services income	**72,462**	67,272	**131,065**	122,446
Net gains (losses) on sales of investments and other assets	**693**	(282)	**3,211**	(3,399)
Mineral income	**20,157**	26,295	**61,812**	66,416
Other (loss) income, net	**(2,131)**	24,218	**17,045**	38,752
Total non-interest income	**118,941**	146,835	**291,822**	301,256
Non-interest expense				
Salaries and employee benefits	**254,875**	240,107	**763,477**	699,730
Occupancy and equipment	**44,644**	43,100	**131,142**	117,711
Purchased services	**27,611**	32,748	**85,083**	83,340
Farm Credit System Insurance Corporation expense	**60,020**	61,505	**176,803**	180,134
Other expense	**86,290**	69,546	**240,114**	209,377
Total non-interest expense	**473,440**	447,006	**1,396,619**	1,290,292
Income before income taxes	**803,825**	702,932	**2,125,909**	1,987,777
Provision for income taxes	**16,138**	14,914	**41,097**	44,803
Net income	**$787,687**	$688,018	**$2,084,812**	$1,942,974

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