# CAPITALIZING on Opportunity

AgriBank District 2024 Financial Information
*Unaudited*
September 30, 2024
AgriBank, FCB and
District Associations

AgriBank
FARM CREDIT BANK

## AgriBank District Financial Information
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***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, 2024** | December 31, 2023 |
|---|---|---|
| Total loans | **$174,551,465** | $165,792,497 |
| Allowance for credit losses on loans | **436,839** | 335,014 |
| Net loans | **174,114,626** | 165,457,483 |
| Total assets | **210,289,304** | 199,626,825 |
| Total shareholders' equity | **31,642,286** | 29,865,972 |
| **For the nine months ended September 30,** | **2024** | 2023 |
| Net interest income | **$3,704,044** | $3,423,962 |
| Provision for credit losses | **194,202** | 193,256 |
| Net fee income | **94,441** | 78,689 |
| Net income | **2,390,468** | 2,084,812 |
| Net interest margin | **2.5 %** | 2.5 % |
| Return on average assets | **1.6 %** | 1.5 % |
| Return on average shareholders' equity | **10.4 %** | 9.6 % |
| Operating and other expenses as a percentage of net interest income and non-interest income | **35.2 %** | 37.6 % |
| Net loan (charge-offs) recoveries as a percentage of average loans | **(0.06)%** | (0.05)% |
| Average loans | **$168,474,246** | $153,847,392 |
| Average earning assets | **199,030,457** | 180,241,121 |
| Average assets | **202,950,665** | 184,434,462 |

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Results of Operations

Net income was $2.4 billion for the nine months ended September 30, 2024, an increase of $305.7 million, or 14.7 percent, compared to the same period of the prior year. Net interest income increased and was primarily driven by higher loan volume across the District, as well as, the benefit of equity financing, due to increased interest rates compared to the same period of the prior year. In general, the agricultural industry continues to perform well with favorable commodity prices and an overall positive outlook in several sectors for the remainder of 2024. When compared to the same period of the prior year, the provision for credit losses was stable in the current year and related to collective reserves established due to downgrades in credit quality and specific reserves on established on large loans. Non-interest income increased when compared to the same period of the prior year primarily as a result of an allocated insurance reserve accounts (AIRA) refund. Increased salaries and incentive compensation expense, as well as purchased services,  were mostly offset by lower FCSIC insurance premiums resulting in an increase in non-interest expense.

**Net Interest Income**

Net interest income increased $280.1 million, or 8.2 percent, compared to the same period of the prior year. The increase was driven by the positive impact of higher loan volume, which was somewhat offset by compressed spreads, compared to the same period of the prior year. Additionally, the increase was driven by the benefit of equity financing from increased interest rates when compared to the same period of the prior year.

Spread income on investment securities was lower when compared to the same period of the prior year as a result of the mix of investment securities, as well as reduced spreads on money market instruments.

Net interest margin was 2.5 percent for the nine months ended September 30, 2024, remaining steady compared to the same period of the prior year. The overall higher interest rates when compared to the same period of the prior year 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. However, the impact of favorable equity financing has been more than offset by the overall decline in spreads.

**Provision for Credit Losses**

In general across District Associations, credit quality continues to be strong. The provision recorded for the nine months ended September 30, 2024, is a result of collective reserves established related to the estimate of losses in the loan portfolios due primarily to downgrades in credit quality and increased loan volume, partially offset by improvement in the macroeconomic forecast. In addition, specific reserves were established which included reserves on large loans to a few borrowers. These reserves were not concentrated in a specific industry.

There was $194.2 million of provision for credit losses recognized during the nine months ended September 30, 2024. At the agricultural producer level, strong net farm income the past few years and positive working capital positions continue to support high District credit quality. Overall, commodity prices in certain sectors remain favorable and continue to have a generally positive impact on the crop, and certain livestock sectors, primarily cattle. Even though crop prices have declined significantly in 2024, continued strong net farm income continues to positively impact the sector. Livestock and dairy producers continue to benefit from lower crop prices in the form of lower feed costs, while the hog industry has struggled with weak margins for more than a year. Higher interest rates have contributed to some modest declines in credit quality among certain agribusiness borrowers during 2024. These downgrades are not concentrated to any one industry.

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.

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

**Non-interest Income**

Non-interest income increased compared to the same period of the prior year. The increase was largely due to the receipt of an allocated insurance reserve accounts (AIRA) refund during the second quarter from the Farm Credit System Insurance Corporation (FCSIC). The AIRA was established by the FCSIC when premiums collected increased the level of the insurance fund beyond the required two percent of insured debt. To a lesser extent, a modest increase in fee income also contributed to the overall increase. These increases were somewhat offset by losses on Rural Business Investment Company (RBIC) equity investments.

**Non-interest Expense**

Non-interest expense increased compared to the same period of the prior year. This was due to higher salaries expense, a result of an increased workforce, combined with higher employee incentive levels and annual merit increases that took effect during the first quarter of 2024. Increased purchased services were driven by higher contractor expense for technology projects and higher consulting fees for additional strategic projects also contributed to the increase. These increases were somewhat offset by lower FCSIC insurance premiums. The Farm Credit System insurance expense decreased in 2024 primarily due to a decrease in the Farm Credit System Insurance Fund (Insurance Fund) premium rate on Systemwide adjusted insured debt. The premium rate, which is primarily impacted by System growth, was 18 basis points in 2023, compared to 10 basis points for the same period in 2024.

## Loan Portfolio

| District Loans by Loan Type | | |
|---|---|---|
| (in thousands) | **September 30, 2024** | December 31, 2023 |
| Real estate mortgage | **$89,412,512** | $85,429,403 |
| Production and intermediate-term | **37,236,654** | 36,286,577 |
| Agribusiness: | | |
| Loans to cooperatives | **1,861,408** | 1,621,085 |
| Processing and marketing | **24,729,372** | 22,953,761 |
| Farm-related businesses | **3,367,528** | 2,612,569 |
| Rural infrastructure: | | |
| Power | **5,536,956** | 4,635,968 |
| Communications | **4,279,581** | 4,035,598 |
| Water/Wastewater | **972,881** | 1,055,732 |
| Rural residential real estate | **2,870,860** | 2,733,813 |
| Agricultural export finance | **526,346** | 439,041 |
| Lease receivables | **478,517** | 386,530 |
| Loans to other financing institutions | **753,132** | 1,043,351 |
| Mission related investments | **2,525,718** | 2,559,069 |
| Total | **$174,551,465** | $165,792,497 |

District loans increased $8.8 billion, or 5.3 percent, from December 31, 2023. The increase in total loans was primarily due to growth in the real estate mortgage and agribusiness sectors. The increase in real estate mortgage loans was the result of targeted programs on new originations at various District Associations that continue to contribute to new volume, most notably in the third quarter. Overall, the continued pause on interest rate increases, and a recent cut, by the Fed has had a generally positive impact on originations across the District Associations.

Also, contributing to the overall increase in the loans portfolio was an increase in the agribusiness sector. The increase in volume, largely in the first half of the year, was primarily due to originations to new customers, as well as, new loans to existing customers in the meat processing and fats and oils industries. To a lesser extent, continued utilization of revolving lines of credit in the meat processing sector also drove the increase. Demand for credit remains strong through the third quarter in this segment as new borrowers are consistently added and drive overall sector growth.

The production and intermediate-term loan portfolio exhibits some seasonality relating to the patterns of operating loans made to crop producers. 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. Normally at their lowest levels following the harvest and then increasing in the spring and throughout the rest of the year as borrowers fund operating needs, driving the second and third quarter increase for many District Associations. To a lesser extent, lower commodity prices have driven a higher line of credit usage by existing borrowers.

**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, 2024** | Acceptable | Special Mention | Substandard | Doubtful | Total by Year | Charge-offs for the period ended September 30, 2024 |
|---|---|---|---|---|---|---|
| 2024 | **$20,668,583** | **$310,946** | **$346,763** | **$2,790** | **$21,329,082** | **$250** |
| 2023 | **23,049,678** | **534,987** | **307,699** | **23,267** | **23,915,631** | **16,936** |
| 2022 | **21,035,055** | **460,522** | **455,227** | **34,650** | **21,985,454** | **16,899** |
| 2021 | **21,269,920** | **320,512** | **612,089** | **1** | **22,202,522** | **20,512** |
| 2020 | **16,094,657** | **454,234** | **415,464** | **377** | **16,964,732** | **4,154** |
| Prior | **38,485,345** | **609,493** | **977,211** | **55** | **40,072,104** | **29,325** |
| Revolving loans | **25,768,085** | **1,070,764** | **929,640** | **47,187** | **27,815,676** | **28,383** |
| Revolving converted to term loans | **117,190** | **12,695** | **134,747** | **1,632** | **266,264** | **5,518** |
| Total | **$166,488,513** | **$3,774,153** | **$4,178,840** | **$109,959** | **$174,551,465** | **$121,977** |

| Balance as of December 31, 2023 | Acceptable | Special Mention | Substandard | Doubtful | Total by Year | Charge-offs for the period ended September 30, 2023 |
|---|---|---|---|---|---|---|
| 2023 | $25,924,082 | $364,462 | $275,269 | $359 | $26,564,172 | $2,066 |
| 2022 | 24,057,096 | 296,828 | 544,298 | 350 | 24,898,572 | 1,338 |
| 2021 | 24,060,524 | 445,968 | 286,136 | 2,066 | 24,794,694 | 853 |
| 2020 | 18,076,637 | 450,304 | 305,046 | 363 | 18,832,350 | 61,780 |
| 2019 | 9,221,474 | 105,532 | 319,801 | 595 | 9,647,402 | 1,814 |
| Prior | 33,512,790 | 581,730 | 718,615 | 164 | 34,813,299 | 3,086 |
| Revolving loans | 24,843,340 | 543,477 | 675,921 | 5,369 | 26,068,107 | 5,913 |
| Revolving converted to term loans | 117,958 | 17,207 | 38,574 | 162 | 173,901 | 1,243 |
| Total | $159,813,901 | $2,805,508 | $3,163,660 | $9,428 | $165,792,497 | $78,093 |

Overall, commodity prices in certain sectors remain favorable, while continued strong net farm income and positive farm sector working capital have supported positive credit quality for the nine months ended September 30, 2024. The crops sector is experiencing higher levels of stress due to lower crop prices during 2024. As such, the credit quality of the District loan portfolio associated with crop production may begin to gradually decline during 2025 but should still remain at an acceptable level for the foreseeable future. USDA forecasted net farm income for 2024 was recently revised upward and while this net farm income level is lower than the elevated levels in recent years, it is still significantly greater than the 10 year average. Despite the challenges in certain sectors, 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, 2024, or December 31, 2023.

Charge-offs during the nine months ended September 30, 2024, were primarily related to a few large borrowers with agribusiness and production and intermediate-term loans, which were not concentrated in any particular industry.

**Nonaccrual Loans**

| (in thousands) | **September 30, 2024** | December 31, 2023 |
|---|---|---|
| **Nonaccrual Loans:** | | |
| Real estate mortgage | **$467,808** | $347,109 |
| Production and intermediate-term | **392,850** | 178,212 |
| Agribusiness | **507,905** | 121,061 |
| Rural infrastructure | **26,569** | 21,366 |
| Rural residential real estate | **9,796** | 9,421 |
| Other | **4,784** | 1,761 |
| Total nonaccrual loans | **$1,409,712** | $678,930 |

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

Nonaccrual loans increased at September 30, 2024, compared to the prior year end, as the result of credit deterioration for a number of large borrowers, mainly processing & marketing, and to lesser extents, real estate mortgage and production and intermediate-term loan types, moving to nonaccrual status in 2024. The largest increases to the agribusiness nonaccrual balance were large borrowers in the meat and food products sector. Other increases in the real estate mortgage and production and intermediate-term balances were large borrowers, in the tree nuts and hogs sectors, and distilled and blended liquors sector, respectively. Somewhat offsetting the increase, were repayments and charge-offs for a food products sector borrower and one large nonaccrual borrower that was moved into acquired property during the period.

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

**Aging Analysis of Loans**

| (in thousands)<br>**As of September 30, 2024** | 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 | **$220,903** | **$277,791** | **$498,694** | **$88,913,818** | **$89,412,512** | **$10,699** |
| Production and intermediate-term | **154,598** | **288,240** | **442,838** | **36,793,816** | **37,236,654** | **53,630** |
| Agribusiness | **105,360** | **111,273** | **216,633** | **29,741,675** | **29,958,308** | **—** |
| Rural infrastructure | **4,404** | **—** | **4,404** | **10,785,015** | **10,789,419** | **—** |
| Rural residential real estate | **10,839** | **3,914** | **14,753** | **2,856,107** | **2,870,860** | **1,725** |
| Other | **119,373** | **114,022** | **233,395** | **4,050,317** | **4,283,712** | **109,470** |
| Total | **$615,477** | **$795,240** | **$1,410,717** | **$173,140,748** | **$174,551,465** | **$175,524** |

| As of December 31, 2023 | 30-89 Days Past Due | 90 Days or More Past Due | Total Past Due | Not Past Due or Less Than 30 Days Past Due | Total | Accruing Loans 90 Days or More Past Due |
|---|---|---|---|---|---|---|
| Real estate mortgage | $233,374 | $118,405 | $351,779 | $85,077,624 | $85,429,403 | $2,022 |
| Production and intermediate-term | 178,178 | 71,172 | 249,350 | 36,037,227 | 36,286,577 | 9,362 |
| Agribusiness | 68,643 | 35,606 | 104,249 | 27,083,166 | 27,187,415 | — |
| Rural infrastructure | 3,065 | — | 3,065 | 9,724,235 | 9,727,300 | — |
| Rural residential real estate | 12,639 | 2,547 | 15,186 | 2,718,627 | 2,733,813 | 315 |
| Other | 120,931 | 92,018 | 212,949 | 4,215,040 | 4,427,989 | 90,610 |
| Total | $616,830 | $319,748 | $936,578 | $164,855,919 | $165,792,497 | $102,309 |

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.

Delinquencies at September 30, 2024, increased in most loan types, the largest two being in the production and intermediate-term loans and real estate mortgage loans category when compared to the year ended 2023.

The increase in loans 90 days or more past due was primarily due to operating loans in a specific portfolio and real estate mortgage loans at one Association becoming 90+ days delinquent. Additionally, a large nonaccrual borrower, in the agribusiness sector and wine and spirits industry, at another Association moved to 90+ days delinquent. Also contributing to the increase in loans 90 days or more past due was the seasonal pattern of the crop input portfolio, which exhibits a large amount of seasonality due to significant portions of the portfolio maturing in January through March of each year. A large portion of this portfolio contains recourse agreements from the crop input dealers, which significantly reduces the risk of non-collection for this portfolio.

The increase in accruing loans 90 days or more past due at September 30, 2024, when compared to December 31, 2023, was due to the seasonality effects of the crop input portfolio, as noted above. Separately contributing to the increase, the cycle of delinquencies was greater than subsequent collections of USDA guarantees for loans issued under District Associations' Mission Related Investment authorities, included in the Other category. All of the loans within the Other category, which were accruing loans 90 days or more past due as of September 30, 2024, were 100 percent secured by federal government guarantees.

The decrease in loans 30-89 days past was partially due to production and intermediate-term loans related to one borrower that were transferred to other property owned during the period. The decrease was also due to real estate mortgage loans moving out of 30-89 days and into 90+ days delinquent as the general economic environment has strained some borrowers.

Refer to the AgriBank and District Associations' annual 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, 2023 | **$114,641** | **$74,556** | **$107,390** | **$21,582** | **$4,856** | **$11,989** | **$335,014** |
| Provision for credit losses | **96** | **62,574** | **125,283** | **10,202** | **(293)** | **(2,061)** | **195,801** |
| Loan recoveries | **1,662** | **24,662** | **303** | **—** | **72** | **—** | **26,699** |
| Loan charge-offs | **(10,612)** | **(54,408)** | **(48,156)** | **(8,375)** | **(219)** | **(207)** | **(121,977)** |
| Initial allowance for purchased credit deteriorated loans | **82** | **425** | **604** | **191** | **—** | **—** | **1,302** |
| Balance at September 30, 2024 | **$105,869** | **$107,809** | **$185,424** | **$23,600** | **$4,416** | **$9,721** | **$436,839** |
| **Allowance for unfunded commitments:** | | | | | | | |
| Balance at December 31, 2023 | **$4,718** | **$20,618** | **$20,286** | **$2,421** | **$113** | **$293** | **$48,449** |
| Provision for credit losses | **10** | **(7,270)** | **4,859** | **810** | **25** | **(33)** | **(1,599)** |
| Balance at September 30, 2024 | **$4,728** | **$13,348** | **$25,145** | **$3,231** | **$138** | **$260** | **$46,850** |

| (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 purchase 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 |

## 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 2023 Annual Report for additional information about the Bank's investment portfolio. District Associations have regulatory authority to enter into certain U.S. government or agency guaranteed investments and are primarily held to maturity. Refer to individual District Associations' 2023 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, 2024.

AgriBank sold certain investments at an insignificant loss during the nine months ended September 30, 2024. Refer to the AgriBank Quarterly Report for additional information.

**Investment Information**

| (in thousands)<br>**As of September 30, 2024** | **Amortized Cost** | **Unrealized Gains** | **Unrealized Losses** | **Fair Value** |
|---|---|---|---|---|
| AgriBank investments | **$24,049,042** | **$97,861** | **$538,292** | **$23,608,611** |
| District Association investments | **6,046,184** | **70,135** | **97,334** | **6,018,985** |
| Total District investments | **$30,095,226** | **$167,996** | **$635,626** | **$29,627,596** |
| (in thousands)<br>As of December 31, 2023 | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| AgriBank investments | $22,790,859 | $30,939 | $709,370 | $22,112,428 |
| District Association investments | 4,472,725 | 25,916 | 110,390 | 4,388,251 |
| Total District investments | $27,263,584 | $56,855 | $819,760 | $26,500,679 |

## 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 $1.8 billion, primarily resulting from net income for the nine months ended September 30, 2024, partially offset by patronage accruals at District Associations and preferred stock redemption at AgriBank.

**Accumulated Other Comprehensive Loss**

| (in thousands) | **September 30, 2024** | December 31, 2023 |
|---|---|---|
| Investment securities activity | **$(440,431)** | $(678,429) |
| Derivatives and hedging activity | **(48,345)** | 27,509 |
| Employee benefit plans activity | **(420,071)** | (448,394) |
| Total accumulated other comprehensive loss | **$(908,847)** | $(1,099,314) |

The decrease in accumulated other comprehensive loss as of September 30, 2024, compared to the year ended December 31, 2023, was primarily related to the increases in the market value of investments as a result of a decline in interest rates in the third quarter of 2024. Conversely, and somewhat offsetting, is the decrease in market value of derivatives and the unrealized gains on long-term pay-fixed swaps from earlier in 2024 moving to losses in the third quarter as a result of the same change in interest rates.

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

**Regulatory Capital Requirements and Ratios**

| As of September 30, 2024 | Primary Components of Numerator | Regulatory Minimums | Minimum with Buffer | Bank | District Associations | |
|---|---|---|---|---|---|---|
| **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 % | **15.8 %** | **12.3 % -** | **19.0 %** |
| Tier 1 capital ratio | CET1 capital, non-cumulative perpetual preferred stock | 6.0 % | 8.5 % | **15.8 %** | **12.7 % -** | **19.0 %** |
| Total capital ratio | Tier 1 capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4] | 8.0 % | 10.5 % | **15.9 %** | **13.7 % -** | **19.2 %** |
| Permanent capital ratio | Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits | 7.0 % | 7.0 % | **15.8 %** | **13.4 % -** | **19.0 %** |
| **Non-risk adjusted:** | | | | | | |
| Tier 1 leverage ratio | Tier 1 capital | 4.0 % | 5.0 % | **5.1 %** | **12.6 % -** | **21.3 %** |
| UREE leverage ratio | URE and URE Equivalents | 1.5 % | 1.5 % | **1.9 %** | **11.8 % -** | **21.2 %** |

[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

## Other Matters

On January 1, 2024, AgriBank redeemed all of its issued and outstanding shares of Series A Non-cumulative Perpetual Preferred Stock, par value $100 per share, in accordance with the terms of the preferred stock.

The capitalization provisions of AgriBank's bylaws were amended, effective January 1, 2024, to make certain changes to the capital stock of AgriBank, including: (1) to issue Class A Common Stock (rather than designating it as Class P Common Stock, Series A Participation Certificates, Series C Participation Certificates or Class F Common Stock); and (2) to establish new Class B Common Stock. Refer to the AgriBank 2023 Annual Report for additional information.

On February 16, 2024, AgriBank's voting shareholders voted to authorize AgriBank to issue (and reissue) one or more series of preferred stock in an amount with an aggregate par value of up to $3.0 billion outstanding at any one time for a period commencing on March 1, 2024, and ending on the 10th anniversary of this date.

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.

The boards of directors of Farm Credit Services of America, ACA, AgCountry Farm Credit Services, ACA, and Frontier Farm Credit, ACA entered into an agreement with an effective date of December 29, 2023, and beginning April 15, 2024, the three Associations are jointly managed and share income and losses. The Associations will deploy a common business approach to the development and delivery of products and services and use common technology platforms that accommodate differences in local marketplace conditions. While the Associations are jointly managed and will operate under jointly developed strategic business plans and supporting plans, they remain separate organizations with local representation through independent boards of directors and distinct patronage programs.

**Select Information on AgriBank District Associations**

(in thousands)

| As of September 30, 2024 | Wholesale Loan Amount | % of Wholesale Portfolio | Total Assets | Total Allowance and Capital | Total Regulatory Capital Ratio | Nonperforming [(1)] as a % of Total Loans | Return on Assets |
|---|---|---|---|---|---|---|---|
| Farm Credit Services of America | $36,744,367 | 27.2% | $45,445,665 | $8,199,845 | 14.2% | 0.6% | 2.0% |
| Farm Credit Mid-America[(2)] | 31,672,055 | 23.5% | 38,612,032 | 6,411,133 | 15.0% | 1.2% | 1.6% |
| Compeer Financial | 27,174,600 | 20.1% | 33,097,809 | 5,244,030 | 13.7% | 1.4% | 1.6% |
| AgCountry Farm Credit Services[(2)] | 12,347,385 | 9.1% | 15,405,961 | 2,824,657 | 14.2% | 0.7% | 1.8% |
| GreenStone Farm Credit Services | 10,703,029 | 7.9% | 13,530,744 | 2,611,088 | 15.7% | 0.7% | 2.2% |
| Farm Credit Illinois | 5,201,478 | 3.9% | 6,574,113 | 1,314,736 | 16.0% | 0.6% | 1.5% |
| FCS Financial | 5,691,551 | 4.2% | 7,087,284 | 1,272,805 | 14.7% | 0.4% | 2.0% |
| AgHeritage Farm Credit Services | 2,029,260 | 1.5% | 2,557,732 | 502,719 | 16.1% | 0.5% | 2.0% |
| Farm Credit Services of Western Arkansas | 1,541,247 | 1.1% | 1,985,529 | 405,396 | 18.1% | 0.6% | 1.7% |
| Farm Credit Services of Mandan | 1,180,148 | 0.9% | 1,577,616 | 374,983 | 19.2% | 0.8% | 1.9% |
| Farm Credit Southeast Missouri | 827,842 | 0.6% | 1,061,299 | 219,089 | 18.1% | 0.1% | 2.0% |
| Total | $135,112,962 | 100.0% | $166,935,784 | $29,380,481 | | | |

(1) Nonperforming loans are composed of nonaccrual loans and accruing loans 90 days or more past due.

(2) Loan amounts do not include fair value adjustments due to merger.

**Combined Balance Sheets**

AgriBank, FCB and District Associations

*(unaudited)*

*(in thousands)*

| | **September 30, 2024** | December 31, 2023 |
|---|---|---|
| **Assets** | | |
| Cash | **$1,394,568** | $1,715,488 |
| Federal funds and securities purchased under resale agreements | **400,000** | 1,700,000 |
| Investments | **29,654,795** | 26,585,153 |
| Loans | **174,551,465** | 165,792,497 |
| Allowance for credit losses on loans | **436,839** | 335,014 |
| Net loans | **174,114,626** | 165,457,483 |
| Accrued interest receivable | **2,812,270** | 2,195,771 |
| Premises and equipment, net | **841,704** | 788,855 |
| Other assets | **1,071,341** | 1,184,075 |
| Total assets | **$210,289,304** | $199,626,825 |
| **Liabilities** | | |
| Bonds and notes | **$170,988,348** | $162,353,014 |
| Subordinated notes | **200,000** | 200,000 |
| Member investment bonds | **4,849,566** | 3,957,315 |
| Accrued interest payable | **1,206,570** | 1,028,189 |
| Patronage distribution payable | **570,956** | 1,203,376 |
| Other liabilities | **831,578** | 1,018,959 |
| Total liabilities | **178,647,018** | 169,760,853 |
| **Shareholders' equity** | | |
| Preferred stock | **100,000** | 350,000 |
| Capital stock and participation certificates | **419,046** | 400,964 |
| Capital stock and participation certificates receivable | **(156,633)** | (147,134) |
| Additional paid-in capital | **2,663,018** | 2,663,018 |
| Allocated retained earnings | **162,732** | 162,937 |
| Unallocated retained earnings | **29,187,723** | 27,381,347 |
| Accumulated other comprehensive loss | **(908,847)** | (1,099,314) |
| Noncontrolling interest | **175,247** | 154,154 |
| Total shareholders' equity | **31,642,286** | 29,865,972 |
| Total liabilities and shareholders' equity | **$210,289,304** | $199,626,825 |

## Combined Statements of Income

AgriBank, FCB and District Associations

*(unaudited)*

| *(in thousands)* | Three months | | Nine months | |
|---|---|---|---|---|
| **For the periods ended September 30,** | **2024** | 2023 | **2024** | 2023 |
| **Interest Income** | | | | |
| Loans | **$2,612,562** | $2,238,587 | **$7,531,051** | $6,238,949 |
| Investment securities and other earning assets | **392,605** | 334,662 | **1,131,734** | 847,348 |
| Total interest income | **3,005,167** | 2,573,249 | **8,662,785** | 7,086,297 |
| **Interest Expense** | **1,735,745** | 1,387,425 | **4,958,741** | 3,662,335 |
| Net interest income | **1,269,422** | 1,185,824 | **3,704,044** | 3,423,962 |
| Provision for credit losses | **94,261** | 27,500 | **194,202** | 193,256 |
| Net interest income after provision for credit losses | **1,175,161** | 1,158,324 | **3,509,842** | 3,230,706 |
| **Non-interest income** | | | | |
| Net fee income | **32,995** | 27,760 | **94,441** | 78,689 |
| Financially related services income | **65,462** | 72,462 | **126,111** | 131,065 |
| Net gains on sales of investments and other assets | **181** | 693 | **1,949** | 3,211 |
| Mineral income | **20,596** | 20,157 | **65,544** | 61,812 |
| Allocated Insurance Reserve Accounts | **—** | — | **47,159** | — |
| Other (loss) income, net | **(2,853)** | (2,131) | **(11,737)** | 17,045 |
| Total non-interest income | **116,381** | 118,941 | **323,467** | 291,822 |
| **Non-interest expense** | | | | |
| Salaries and employee benefits | **287,654** | 254,875 | **827,106** | 763,477 |
| Occupancy and equipment | **50,036** | 44,644 | **142,100** | 131,142 |
| Purchased services | **41,828** | 27,611 | **106,464** | 85,083 |
| Farm Credit System Insurance Corporation expense | **37,289** | 60,020 | **109,826** | 176,803 |
| Other expense | **77,124** | 86,290 | **230,389** | 240,114 |
| Total non-interest expense | **493,931** | 473,440 | **1,415,885** | 1,396,619 |
| Income before income taxes | **797,611** | 803,825 | **2,417,424** | 2,125,909 |
| **Provision for income taxes** | **6,469** | 16,138 | **26,956** | 41,097 |
| Net income | **$791,142** | $787,687 | **$2,390,468** | $2,084,812 |

AgriBank
FARM CREDIT BANK

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