# AGFIRST FARM CREDIT BANK & DISTRICT ASSOCIATIONS

## 2023 THIRD QUARTER FINANCIAL INFORMATION

FARM CREDIT

# *AgFirst Farm Credit Bank and District Associations September 30, 2023 Financial Information*

***(unaudited)***

**INTRODUCTION AND DISTRICT OVERVIEW**

The following commentary reviews the Combined Financial Statements of Condition and Results of Operations of AgFirst Farm Credit Bank (AgFirst or the Bank) and the District Agricultural Credit Associations (Associations or District Associations), collectively referred to as the AgFirst District (District), for the three and nine months ended September 30, 2023. AgFirst and the District Associations are part of the Farm Credit System (the System), a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. System institutions are generally organized as cooperatives. Cooperatives are organizations that are owned and controlled by their members who use the cooperatives' products or services. The U.S. Congress authorized the creation of the first System institutions in 1916. The System was created to provide support for the agricultural sector because of its significance to the well-being of the U.S. economy and the U.S. consumer. The mission of the System is to support rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow. The System does this by making appropriately structured loans to qualified individuals and businesses at competitive rates and providing financial services and advice to those persons and businesses. AgFirst and each District Association are individually regulated by the Farm Credit Administration (FCA).

The Associations are structured as cooperatives, and each Association is owned by its borrowers. AgFirst also operates as a cooperative. The District Associations, certain Other Financing Institutions (OFIs), and other System institutions jointly own AgFirst. As such, the benefits of ownership flow to the same farmer/rancher-borrowers that the System was created to serve.

As of September 30, 2023, the District consisted of the Bank and sixteen District Associations. See *Other Matters* section below for details of merger activity among Associations in the District. All sixteen were structured as Agricultural Credit Association (ACA) holding companies, with Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries. PCAs originate and service short- and intermediate-term loans; FLCAs originate and service long-term real estate mortgage loans; and ACAs originate and service both long-term real estate mortgage loans and short- and intermediate-term loans.

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). The Funding Corporation issues a variety of Federal Farm Credit Banks Consolidated Systemwide Debt Securities with broad ranges of maturities and structures on behalf of the System banks. Each System bank has exposure to Systemwide credit risk because each bank is jointly and severally liable for all Systemwide debt issued.

AgFirst provides funding and related services to the District Associations, which, in turn, provide loans and related services to agricultural and rural borrowers. AgFirst has in place with each of the District Associations, a revolving line of credit, referred to as a "Direct Note", which eliminates in this combined District report. Each Association primarily funds its lending and general corporate activities by borrowing through its Direct Note. Virtually all assets of the Associations secure the Direct Notes. Lending terms are specified in a separate General Financing Agreement (GFA) between AgFirst and each Association, including the subsidiaries of the Associations.

AgFirst and the Associations are chartered to serve eligible borrowers in Alabama, Delaware, Florida, Georgia, Maryland, Mississippi, North Carolina, Pennsylvania, South Carolina, Virginia, West Virginia, Puerto Rico, and portions of Kentucky, Louisiana, Ohio, and Tennessee. Two other Farm Credit Banks (FCBs) and an Agricultural Credit Bank (ACB), through a number of associations, provide loans and related services to eligible borrowers primarily in the remaining portion of the United States. While owned by its related associations, each FCB manages and controls its own business activities and operations. The ACB is owned by its related associations as well as other agricultural and rural institutions, including agricultural cooperatives. Associations are not commonly owned or controlled and each manages and controls its own business activities and operations.

While combined District statements reflect the financial and operational interdependence of AgFirst and its Associations, AgFirst does not own or control the Associations. AgFirst publishes Bank-only audited financial statements (electronic version of which is available on AgFirst's website at **www.agfirst.com**) that may be referred to for a more complete analysis of AgFirst's financial condition and results of operations.

# *Financial Highlights*

| *(dollars in thousands)* | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Total loans | **$ 39,818,286** | $ 38,103,069 |
| Allowance for loan losses | **(173,540)** | (181,254) |
| Net loans | **39,644,746** | 37,921,815 |
| Total assets | **50,254,158** | 48,907,496 |
| Total shareholders' equity | **6,687,607** | 6,585,151 |

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | **2023** | **2022** |
| Net interest income | **$ 1,001,462** | $ 1,004,614 |
| Provision for (reversal of) credit losses | **54,098** | (13,182) |
| Noninterest expense, net | **(494,708)** | (456,877) |
| Net income | **$ 452,656** | $ 560,919 |
| Net interest income as a percentage of average earning assets | **2.75 %** | 2.93 % |
| Net (charge-offs) recoveries to average loans | **(0.05)%** | 0.00 % |
| Return on average assets | **1.22 %** | 1.60 % |
| Return on average shareholders' equity | **8.86 %** | 10.42 % |
| Operating expense as a percentage of net interest income and noninterest income | **51.92 %** | 48.20 % |
| Average loans | **$ 38,877,467** | $ 36,046,406 |
| Average earning assets | **48,620,138** | 45,769,334 |
| Average assets | **49,554,887** | 46,728,087 |

# Management's Discussion & Analysis of Financial Condition & Results of Operations

## RESULTS OF OPERATIONS

Net income for the nine months ended September 30, 2023, was $452.7 million compared to $560.9 million for the same period in 2022, a decrease of $108.3 million or 19.30 percent. Net income for the three months ended September 30, 2023, was $155.0 million compared to $193.9 million for the three months ended September 30, 2022, a decrease of $39.0 million, or 20.09 percent. See below for further discussion of the change in net income by major components.

### *Net Interest Income*

Net interest income decreased $12.4 million, or 3.61 percent, to $330.2 million, for the three months ended September 30, 2023, compared to the same period in the prior year. For the nine months ended September 30, 2023, net interest income remained relatively flat at $1.0 billion compared to the same period in the prior year. The net interest margin, which is net interest income as a percentage of average earning assets, was 2.67 percent and 2.75 percent, a decrease of 23 basis points and 18 basis points for the three and nine months ended September 30, 2023, respectively, compared to the same periods in the prior year.

A significant volume of the District's assets have long-term, fixed-rate, prepayable payment structures. To mitigate interest rate risk exposure, the Bank funds such assets predominately with fixed-rate, callable debt having maturities similar to the assets funded. When interest rates fall, as they did during 2020 in response to the economic slowdown associated with the COVID-19 pandemic, the Bank quickly calls and replaces any debt securities that result in cost savings. This temporarily increases net interest margin. The decline of net interest margin is due primarily to net interest margin returning toward a normal level following the decline in rates in early 2020.

Net interest income remained relatively stable despite decreases in the net interest spread and net interest margin that was primarily due to an increase in interest-earning assets volume.

The effects of changes in volume and interest rates on net interest income for the three and nine months ended September 30, 2023, as compared with the corresponding periods in 2022, are presented in the following table. The table distinguishes between the changes in interest income and interest expense related to average outstanding balances and to the levels of average interest rates. Accordingly, the benefit derived from funding earning assets with interest-free funds (principally capital) is reflected solely as a volume increase.

| | For the Three Months Ended September 30, 2023 vs. September 30, 2022 | | | For the Nine Months Ended September 30, 2023 vs. September 30, 2022 | | |
|---|---|---|---|---|---|---|
| | Increase (decrease) due to changes in: | | | Increase (decrease) due to changes in: | | |
| *(dollars in thousands)* | Volume | Rate | Total | Volume | Rate | Total |
| Interest Income: | | | | | | |
| Loans | $ 38,775 | $ 125,734 | $ 164,509 | $ 126,816 | $ 417,635 | $ 544,451 |
| Investments & Cash Equivalents | (3,888) | 33,384 | 29,496 | (5,433) | 110,668 | 105,235 |
| Other | 1,389 | 2,230 | 3,619 | 7,544 | 4,475 | 12,019 |
| Total Interest Income | 36,276 | 161,348 | 197,624 | 128,927 | 532,778 | 661,705 |
| Interest Expense: | | | | | | |
| Interest-Bearing Liabilities | 20,546 | 189,428 | 209,974 | 74,618 | 590,239 | 664,857 |
| Changes in Net Interest Income | $ 15,730 | $ (28,080) | $ (12,350) | $ 54,309 | $ (57,461) | $ (3,152) |

### *Provision for Credit Losses*

AgFirst and the District Associations measure risks inherent in their individual loan portfolios on an ongoing basis and, as necessary, recognize provision for credit loss expense so that appropriate allowances for credit losses (ACL) are maintained. Provision for credit losses, which includes the provision for loan loss and the provision for unfunded commitments, was a provision expense of $10.8 million and $54.1 million for the three and nine months ended September 30, 2023, respectively, compared to a provision reversal of $5.0 million and $13.2 million for the corresponding periods in 2022. The impact of the requirements to estimate losses over the contractual life of the loan as part of the adoption of Accounting Standards Update - Financial Instruments - Credit Losses, commonly referred to as the Current Expected Credit Loss (CECL) standard, adopted at the beginning of 2023, can lead to larger volatility in provision expense when compared to the previous incurred loss model.

For the three and nine months ended September 30, 2023, the provision for loan losses included provision expense for specific reserves of $5.8 million and $42.2 million, respectively, and net provision expense for general reserves of $690 thousand and $7.1 million, respectively. For the three and nine months ended September 30, 2023, the provision for unfunded commitments included a provision expense of $4.4 million and $4.8 million, respectively. Total provision expense for the three months ended September 30, 2023, primarily related to borrowers in the tree fruits and nuts ($7.4 million expense) and poultry ($3.5 million expense) segments, and is partially offset by forestry ($2.2 million reversal) and rural home loan ($2.1 million reversal) segments. Total provision expense for the nine months ended September 30, 2023, primarily related to borrowers in the tree fruits and nuts ($30.4 million expense), field crops ($9.5 million expense), forestry ($5.8 million expense), poultry ($3.2 million expense), and swine ($2.7 million expense) segments.

For the three and nine months ended September 30, 2022, the provision for loan losses included provision reversal for specific reserves of $1.7 million and $3.1 million, respectively, and net provision reversal for general reserves of $3.3 million and $10.1 million, respectively. Total provision reversal for the three months ended September 30, 2022, primarily related to borrowers in the poultry ($3.3 million reversal), forestry ($1.4 million reversal), tree fruits and nuts ($1.1 million reversal), and processing ($2.0 million expense) segments. Total provision reversal for the nine months ended September 30, 2022, primarily related to borrowers in the poultry ($6.9 million reversal), forestry ($2.1 million reversal), field crops ($2.0 million reversal), corn ($1.9 million reversal), processing ($2.4 million expense), and rural home loan ($1.3 million expense) segments.

See the *Loan Portfolio* section below for further information.

### *Noninterest Income*

The following table illustrates the changes in noninterest income:

| **Change in Noninterest Income** | **For the Three Months Ended September 30,** | | | **For the Nine Months Ended September 30,** | | |
|---|---|---|---|---|---|---|
| *(dollars in thousands)* | **2023** | **2022** | **Increase/ Decrease** | **2023** | **2022** | **Increase/ Decrease** |
| Loan fees | $ 9,568 | $ 10,030 | $ (462) | $ 29,349 | $ 31,409 | $ (2,060) |
| Fees for financially related services | 5,886 | 4,655 | 1,231 | 14,506 | 11,851 | 2,655 |
| (Losses) gains on debt extinguishment | — | — | — | (3,711) | 56 | (3,767) |
| Gains (losses) on other transactions | 2,554 | (189) | 2,743 | 6,518 | (593) | 7,111 |
| Patronage refunds from other Farm Credit institutions | 635 | 495 | 140 | 3,589 | 6,869 | (3,280) |
| Other noninterest income | 1,640 | 2,368 | (728) | 4,908 | 6,003 | (1,095) |
| Total noninterest income | $ 20,283 | $ 17,359 | $ 2,924 | $ 55,159 | $ 55,595 | $ (436) |

Noninterest income increased $2.9 million and decreased $436 thousand for the three and nine months ended September 30, 2023 compared to the corresponding periods in 2022. Significant line-item dollar variances greater than $2.0 million or unusual in nature are discussed below.

Loan fee income for the nine months ended September 30, 2023 decreased $2.1 million when compared to the corresponding period in the prior year primarily as a result of fewer secondary mortgage market loan originations in the rising interest rate environment which resulted in decreased income of $3.3 million and was partially offset by increased income from Capital Markets loan fees of $1.4 million.

Fees for financially related services increased $2.7 million for the nine months ended September 30, 2023 when compared to the corresponding period in the prior year primarily due to $2.0 million in higher income received from the expansion of tax services to borrowers at one Association that merged in 2022 with another Association which had been providing these services to their borrowers.

Losses on debt extinguishment were $3.7 million for the nine months ended September 30, 2023, compared to $56 thousand the same period in 2022. Debt issuance expense is amortized into interest expense over the contractual life of the underlying debt security. Debt is called to take advantage of favorable market interest rate changes. When debt securities are called prior to maturity, any unamortized issuance cost is expensed through gains (losses) on debt extinguishment. The amount of issuance cost expensed when a bond is called is dependent upon both the size and remaining maturity of the bond when called. Losses on called debt are more than offset by interest expense savings realized over the life of the replacement debt. Call options were exercised on bonds totaling $1.6 billion for the nine months ended September 30, 2023. There were no call options exercised in 2022, however, the Bank repurchased and subsequently cancelled one discount note that resulted in $56 thousand in gains during 2022.

Gains (losses) on other transactions increased $2.7 million and $7.1 million for the three and nine months ended September 30, 2023, respectively, compared to the corresponding periods in 2022 primarily due to increases of $3.4 million and $6.4 million in the market value of certain nonqualified retirement plan assets held in other assets on the Balance Sheets.

Patronage refunds from other Farm Credit institutions decreased by $3.3 million for the nine months ended September 30, 2023 compared to the corresponding period in 2022 primarily due to lower refunds received from FCS Captive Insurance of $3.0 million.

***Noninterest Expenses***

The following table illustrates the changes in noninterest expenses:

| **Change in Noninterest Expenses** | **For the Three Months Ended September 30,** | | | **For the Nine Months Ended September 30,** | | |
|---|---|---|---|---|---|---|
| *(dollars in thousands)* | **2023** | **2022** | **Increase/ Decrease** | **2023** | **2022** | **Increase/ Decrease** |
| Salaries and employee benefits | $ 96,151 | $ 91,641 | $ 4,510 | $ 290,384 | $ 278,985 | $ 11,399 |
| Occupancy and equipment | 7,430 | 7,595 | (165) | 21,804 | 21,367 | 437 |
| Insurance fund premiums | 16,798 | 17,201 | (403) | 49,499 | 49,426 | 73 |
| Purchased services | 20,055 | 18,029 | 2,026 | 57,029 | 53,858 | 3,171 |
| Data processing | 13,579 | 10,009 | 3,570 | 37,711 | 27,628 | 10,083 |
| Other operating expenses | 30,096 | 26,065 | 4,031 | 92,188 | 79,761 | 12,427 |
| Losses from other property owned | 46 | 20 | 26 | (296) | (59) | (237) |
| Total noninterest expenses | $ 184,155 | $ 170,560 | $ 13,595 | $ 548,319 | $ 510,966 | $ 37,353 |

Noninterest expenses increased $13.6 million and $37.4 million for the three and nine months ended September 30, 2023 compared to the corresponding periods in 2022. Significant line-item dollar variances greater than $2.0 million or unusual in nature are discussed below.

Salaries and employee benefits expenses increased $4.5 million and $11.4 million, or 4.92 percent and 4.09 percent, for the three and nine months ended September 30, 2023. The increase was primarily due to normal salary administration at the Bank and District Associations and increased benefit plan service costs related to certain nonqualified retirement plan assets.

As the result of significant technology initiatives, data processing and purchased services expenses increased $3.6 million and $2.0 million for the three months ended September 30, 2023, respectively, and $10.1 million and $3.2 million for the nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The data processing increases are primarily from higher software and hardware depreciation and maintenance costs associated with new systems purchased as part of the technology modernization initiatives. The purchased services increases resulted from contractors and consultants utilized in the development and implementation of new and enhanced systems including a new mortgage loan origination system implemented during the first quarter of 2023 and a new loan accounting system that was implemented in the third quarter of 2023.

Other operating expenses increased $4.0 million and $12.4 million for the three and nine months ended September 30, 2023, primarily due to an increase in non-service pension expense of $11.1 million. The increase in pension expense is primarily a result of lower expected returns on plan assets as a result of rising interest rates in addition to a special termination benefit at one District Association that resulted in $1.2 million in expenses as a result of a merger during the first quarter of 2023.

## LOAN PORTFOLIO

The District's aggregate loan portfolio consists primarily of loans made by the Associations to eligible borrowers located within their chartered territories. Diversification of the loan volume by FCA loan type is shown in the following table:

| **Loan Types**<br>*(dollars in thousands)* | **September 30, 2023** | | **December 31, 2022** | | **September 30, 2022** | |
|---|---|---|---|---|---|---|
| Real estate mortgage | $ 19,793,580 | 49.71 % | $ 19,567,465 | 51.35 % | $ 19,347,789 | 51.60 % |
| Production and intermediate-term | 7,197,095 | 18.07 | 7,087,492 | 18.60 | 6,867,297 | 18.32 |
| Agribusiness: | | | | | | |
| Loans to cooperatives | 720,309 | 1.81 | 763,647 | 2.01 | 825,536 | 2.21 |
| Processing and marketing | 3,756,454 | 9.43 | 3,387,983 | 8.89 | 3,378,679 | 9.01 |
| Farm-related business | 584,875 | 1.47 | 581,143 | 1.53 | 539,824 | 1.44 |
| Rural infrastructure: | | | | | | |
| Power | 1,580,075 | 3.97 | 1,129,848 | 2.97 | 990,481 | 2.64 |
| Communication | 1,228,743 | 3.09 | 1,051,506 | 2.76 | 1,013,713 | 2.70 |
| Water/Waste disposal | 433,141 | 1.09 | 203,724 | 0.53 | 179,745 | 0.48 |
| Rural residential real estate | 3,828,123 | 9.61 | 3,718,275 | 9.76 | 3,661,938 | 9.77 |
| Other: | | | | | | |
| International | 236,772 | 0.60 | 214,546 | 0.56 | 289,474 | 0.77 |
| Lease receivables | 12,781 | 0.03 | 12,979 | 0.03 | 14,136 | 0.04 |
| Loans to other financing institutions (OFIs) | 174,693 | 0.44 | 166,260 | 0.44 | 174,037 | 0.46 |
| Other (including mission related) | 271,645 | 0.68 | 218,201 | 0.57 | 210,703 | 0.56 |
| Total | $ 39,818,286 | 100.00 % | $ 38,103,069 | 100.00 % | $37,493,352 | 100.00 % |

Total loans outstanding were $39.8 billion at September 30, 2023, an increase of $1.7 billion, or 4.50 percent, compared to December 31, 2022 and an increase of $2.3 billion, or 6.20 percent, since September 30, 2022.

Compared to year-end 2022, the increase in loans was primarily in the forestry, utilities, and processing segments. Compared to September 30, 2022, the year-over-year increase in loan volume was primarily in the forestry, utilities, processing, and rural home loan segments. Growth in both periods came from a combination of factors including new client acquisition, an increase in transactions due to government initiatives to expand rural infrastructure, borrower liquidity needs due to commodity price escalation, and merger and acquisition activity. Growth for the remainder of the year may be challenged due to market conditions.

### *Credit Quality*

Each loan in the District's portfolio is classified according to a Uniform Classification System, which is used by all System institutions. Below are the classification definitions:

- Acceptable – Assets are expected to be fully collectible and represent the highest quality. In addition, these assets may include loans with properly executed and structured guarantees that might otherwise be classified less favorably.
- OAEM – 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 facts, conditions and values that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

The following table shows the amortized cost of loans classified under the Uniform Loan Classification System by origination year:

**District Credit Quality by Origination Year**

*(in thousands)*

| Balance as of September 30, 2023 | Acceptable | OAEM | Substandard | Doubtful | Loss | Current Period Gross Writeoffs |
|---|---|---|---|---|---|---|
| 2023 | $ 4,916,841 | $ 46,419 | $ 22,068 | $ — | $ — | $ 102 |
| 2022 | 7,222,727 | 110,453 | 57,100 | — | 1 | 8,318 |
| 2021 | 6,434,594 | 67,929 | 46,898 | — | 1 | 395 |
| 2020 | 4,395,364 | 40,337 | 69,463 | 36 | 238 | 206 |
| 2019 | 2,527,631 | 33,555 | 69,945 | — | 2 | 190 |
| Prior | 7,953,581 | 183,720 | 124,845 | 68 | 10 | 3,623 |
| Revolving loans | 5,301,955 | 121,889 | 70,611 | — | 5 | 6,089 |
| Total | $38,752,693 | $ 604,302 | $ 460,930 | $ 104 | $ 257 | $ 18,923 |
| As a percentage of total loans | 97.32 % | 1.52 % | 1.16 % | — % | — % | |
| | | | | | | |
| Total as of December 31, 2022* | $37,373,882 | $ 529,257 | $ 465,550 | $ 63 | $ — | $ 5,700 |
| As a percentage of total loans | 97.41 % | 1.38 % | 1.21 % | — % | — % | |

**Periods prior to the adoption of CECL on January 1, 2023 are calculated using recorded investment, which includes accrued interest. Accrued interest is excluded from the calculation in the current period. This change does not have a significant impact on the comparability of the figures presented.*

District credit quality has remained stable but may be negatively impacted in future quarters as a result of potential changes in government support for agricultural sectors, inflationary input cost pressures, rising interest rates, and unforeseen impacts from geopolitical, trade, supply chain, weather, or animal- or human-related health events.

### *Nonaccrual Loans*

As a result of stable credit quality and the District's efforts to resolve problem assets, the District's nonaccrual assets continue to be a small percentage of the total loan volume and total assets. Nonaccrual loans by FCA loan type are as follows:

| *(dollars in thousands)* | September 30, 2023 | December 31, 2022 |
|---|---|---|
| **Nonaccrual loans:** | | |
| Real estate mortgage | $ 68,704 | $ 77,412 |
| Production and intermediate-term | 89,801 | 68,326 |
| Agribusiness | 6,592 | 6,779 |
| Rural infrastructure | 2,937 | 2,966 |
| Rural residential real estate | 22,364 | 19,200 |
| Other | 71 | 255 |
| Total | $ 190,469 | $ 174,938 |
| Nonaccrual Loans as Percentage of Total Loans | 0.48 % | 0.46 % |

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans for the combined District at September 30, 2023 were $190.5 million compared to $174.9 million at December 31, 2022. Nonaccrual loans increased primarily as the result of a single nonaccrual relationship in the tree fruits and nuts segment that transferred into nonaccrual status in 2023 and has an outstanding balance of $52.3 million as of September 30, 2023.

| | Nonaccrual by Eligibility | | | |
|---|---|---|---|---|
| | September 30, 2023 | | December 31, 2022 | |
| | Total Amount | % of Total | Total Amount | % of Total |
| Tree Fruits and Nuts | $ 58,953 | 30.95 % | $ 13,580 | 7.76 % |
| Field Crops | 26,970 | 14.16 % | 49,393 | 28.23 % |
| Rural Home Loans | 22,476 | 11.80 % | 19,239 | 11.00 % |
| Forestry | 13,910 | 7.30 % | 11,180 | 6.39 % |
| Poultry | 12,374 | 6.50 % | 16,891 | 9.66 % |
| Grains | 10,066 | 5.28 % | 15,442 | 8.83 % |
| Cattle | 10,233 | 5.37 % | 11,115 | 6.35 % |
| Other | 35,487 | 18.64 % | 38,098 | 21.78 % |
| Total | $ 190,469 | 100.00 % | $ 174,938 | 100.00 % |

***Aging Analysis of Loans***

The following tables provide an aging analysis of the past due loans as of:

| | September 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| *(dollars in thousands)* | 30 Through 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 |
| Real estate mortgage | $ 169,348 | $ 33,382 | $ 202,730 | $ 19,590,850 | $ 19,793,580 | $ 913 |
| Production and intermediate-term | 79,558 | 20,061 | 99,619 | 7,097,476 | 7,197,095 | 243 |
| Agribusiness | 11,602 | 2,538 | 14,140 | 5,047,499 | 5,061,639 | — |
| Rural infrastructure | — | 308 | 308 | 3,241,650 | 3,241,958 | — |
| Rural residential real estate | 53,755 | 8,950 | 62,705 | 3,765,418 | 3,828,123 | 49 |
| Other | 5,394 | 2,496 | 7,890 | 688,001 | 695,891 | 2,424 |
| Total | $ 319,657 | $ 67,735 | $ 387,392 | $ 39,430,894 | $ 39,818,286 | $ 3,629 |

Prior to the adoption of CECL on January 1, 2023, the aging analysis of past due loans reported included accrued interest as follows:

| | December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| *(dollars in thousands)* | 30 Through 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 |
| Real estate mortgage | $ 70,488 | $ 34,242 | $ 104,730 | $ 19,615,099 | $ 19,719,829 | $ 1,144 |
| Production and intermediate-term | 31,708 | 25,075 | 56,783 | 7,105,705 | 7,162,488 | 38 |
| Agribusiness | 9,060 | 13,861 | 22,921 | 4,730,128 | 4,753,049 | 10,280 |
| Rural infrastructure | — | — | — | 2,390,356 | 2,390,356 | — |
| Rural residential real estate | 45,923 | 10,730 | 56,653 | 3,670,693 | 3,727,346 | 1,587 |
| Other | 10,272 | 1,251 | 11,523 | 604,161 | 615,684 | 1,186 |
| Total | $ 167,451 | $ 85,159 | $ 252,610 | $ 38,116,142 | $ 38,368,752 | $ 14,235 |

***Allowance for Credit Losses***

Each District institution maintains an allowance for credit losses at a level management considers adequate to provide for estimable credit losses within its respective loan and finance lease portfolios as of each reported balance sheet date. Management's evaluations consider factors which include, among other things, loan loss experience, portfolio quality, loan portfolio composition, current agricultural production conditions, and general economic conditions. Although aggregated in the District's combined financial statements, the allowance for credit losses for each District entity is particular to that institution and is not available to absorb losses realized by other District entities.

On January 1, 2023, the Bank and District Associations adopted CECL, which replaces multiple existing impairment standards by establishing a single framework for financial assets to reflect management's estimate of current expected credit losses over the contractual life of the financial assets. This standard requires the Bank and District Associations to estimate losses of all financial assets including loans and investment securities. Upon adoption of the standard, the District recorded a Day 1 decrease in the Allowance for Credit Losses (ACL) of $23.0 million ($15.7 million increase at the Bank and $38.7 million decrease at the Combined Associations), which included a $27.8 million decrease in the allowance for loan losses ($12.1 million increase at the Bank and $39.9 million decrease at the Combined Associations) and a $4.8 million increase in the reserve for unfunded commitments ($3.5 million increase at the Bank and $1.3 million increase at the Combined Associations). The Bank and District Associations did not record an allowance for credit losses on any other financial assets, including the investment portfolio. See further discussion on the adoption of CECL in the respective Bank and District Associations' third quarter reports.

A summary of changes in the allowance for credit losses is as follows:

| *(dollars in thousands)* | Real Estate Mortgage | Production and Intermediate -term | Agribusiness | Rural Infrastructure | Rural Residential Real Estate | Other | Total |
|---|---|---|---|---|---|---|---|
| **Activity related to allowance for loan losses:** | | | | | | | |
| Balance at June 30, 2023 | $ 66,078 | $ 58,131 | $ 17,364 | $ 5,316 | $ 22,092 | $ 563 | $ 169,544 |
| Charge-offs | (1,747) | (2,278) | (185) | — | (45) | — | (4,255) |
| Recoveries | 1,292 | 438 | — | — | 65 | — | 1,795 |
| Provision for (reversal of) loan losses | (557) | 8,638 | 937 | (448) | (1,937) | (177) | 6,456 |
| Balance at September 30, 2023 | $ 65,066 | $ 64,929 | $ 18,116 | $ 4,868 | $ 20,175 | $ 386 | $ 173,540 |
| **Allowance for unfunded commitments:** | | | | | | | |
| Balance at June 30, 2023 | $ 1,175 | $ 3,657 | $ 4,768 | $ 478 | $ 89 | $ 91 | $ 10,258 |
| Provision for (reversal of) unfunded commitments | 1,694 | 1,676 | 955 | 17 | (19) | 39 | 4,362 |
| Balance at September 30, 2023 | $ 2,869 | $ 5,333 | $ 5,723 | $ 495 | $ 70 | $ 130 | $ 14,620 |
| **Activity related to allowance for loan losses:** | | | | | | | |
| Balance at December 31, 2022 | $ 82,018 | $ 65,472 | $ 20,146 | $ 3,875 | $ 8,824 | $ 919 | $ 181,254 |
| Cumulative effect of change in accounting principle | (14,693) | (23,270) | (1,246) | (758) | 12,605 | (476) | (27,838) |
| Charge-offs | (1,931) | (16,532) | (198) | — | (262) | — | (18,923) |
| Recoveries | 1,835 | 1,723 | 172 | 41 | 231 | 5 | 4,007 |
| Provision for (reversal of) loan losses | 5,670 | 42,488 | 333 | 1,784 | (1,077) | 127 | 49,325 |
| Merger adjustment | (7,833) | (4,952) | (1,091) | (74) | (146) | (189) | (14,285) |
| Balance at September 30, 2023 | $ 65,066 | $ 64,929 | $ 18,116 | $ 4,868 | $ 20,175 | $ 386 | $ 173,540 |
| **Allowance for unfunded commitments:** | | | | | | | |
| Balance at December 31, 2022 | $ 189 | $ 2,747 | $ 2,727 | $ 78 | $ 15 | $ 48 | $ 5,804 |
| Cumulative effect of change in accounting principle | 565 | 791 | 2,936 | 463 | 22 | 37 | 4,814 |
| Provision for (reversal of) unfunded commitments | 2,549 | 1,999 | 182 | (46) | 38 | 51 | 4,773 |
| Merger adjustment | (434) | (204) | (122) | — | (5) | (6) | (771) |
| Balance at September 30, 2023 | $ 2,869 | $ 5,333 | $ 5,723 | $ 495 | $ 70 | $ 130 | $ 14,620 |
| **Activity related to allowance for loan losses:** | | | | | | | |
| Balance at June 30, 2022 | $ 96,085 | $ 71,707 | $ 21,040 | $ 5,706 | $ 8,867 | $ 893 | $ 204,298 |
| Charge-offs | (110) | (666) | — | — | (331) | — | (1,107) |
| Recoveries | 1,056 | 817 | 4 | — | 56 | — | 1,933 |
| Provision for (reversal of) loan losses | (5,608) | (2,458) | 2,175 | 300 | 249 | 371 | (4,971) |
| Merger adjustment | (4,479) | (5,648) | (4,793) | (957) | (76) | (143) | (16,096) |
| Balance at September 30, 2022 | $ 86,944 | $ 63,752 | $ 18,426 | $ 5,049 | $ 8,765 | $ 1,121 | $ 184,057 |
| Balance at December 31, 2021 | $ 98,823 | $ 79,314 | $ 19,662 | $ 5,170 | $ 8,341 | $ 906 | $ 212,216 |
| Charge-offs | (1,151) | (1,618) | (121) | — | (1,260) | — | (4,150) |
| Recoveries | 2,583 | 2,071 | 202 | — | 413 | — | 5,269 |
| Provision for (reversal of) loan losses | (8,832) | (10,367) | 3,476 | 836 | 1,347 | 358 | (13,182) |
| Merger adjustment | (4,479) | (5,648) | (4,793) | (957) | (76) | (143) | (16,096) |
| Balance at September 30, 2022 | $ 86,944 | $ 63,752 | $ 18,426 | $ 5,049 | $ 8,765 | $ 1,121 | $ 184,057 |

Subsequent to January 1, 2023, the allowance for loan losses increased by $20.1 million. The increase subsequent to the adoption of CECL was primarily the result of $49.3 million of provision expense, partially offset by $18.9 million of charge-offs and a reduction in overall allowance of $14.3 million as the result of Association mergers during 2023.

Subsequent to January 1, 2023, the allowance for unfunded commitments increased by $4.0 million. The increase subsequent to the adoption of CECL was primarily the result of $4.8 million of provision expense, partially offset by a reduction in overall allowance of $771 thousand as the result of Association mergers during 2023.

| | Allowance for Credit Losses by Eligibility | | | |
|---|---|---|---|---|
| | **September 30, 2023** | | **December 31, 2022** | |
| | **Total Amount** | **% of Total** | **Total Amount** | **% of Total** |
| Tree Fruits and Nuts | $ 37,535 | 19.95 % | $ 8,683 | 4.64 % |
| Poultry | 26,124 | 13.88 % | 22,707 | 12.14 % |
| Rural Home Loans | 20,932 | 11.12 % | 8,765 | 4.69 % |
| Forestry | 17,354 | 9.22 % | 19,253 | 10.29 % |
| Field Crops | 17,150 | 9.11 % | 26,372 | 14.10 % |
| Other | 54,445 | 28.95 % | 95,474 | 51.04 % |
| Allowance for Loan Losses | $ 173,540 | 92.23 % | 181,254 | 96.90 % |
| Allowance for Unfunded Commitments | $ 14,620 | 7.77 % | $ 5,804 | 3.10 % |
| Total Allowance for Credit Losses | $ 188,160 | 100.00 % | $ 187,058 | 100.00 % |

Charge-offs during the first nine months of 2023 were related primarily to borrowers in the field crops segment (72.47 percent of the total) and there were no significant recoveries in an individual industry segment. See *Provision for Credit Losses* section above for additional details regarding loan loss provision expense and reversals. The allowance for loan losses at September 30, 2023, included specific reserves of $44.1 million (25.39 percent of the total) and $129.4 million (74.61 percent) of general reserves. The allowance for credit losses was 0.47 percent, 0.49 percent, and 0.50 percent of total loans outstanding at September 30, 2023, December 31, 2022, and September 30, 2022, respectively.

## INVESTMENTS

The Bank is responsible for meeting the District's funding, liquidity, and asset/liability management needs. Along with normal cash flows associated with lending operations, the District has two primary sources of liquidity: the capacity to issue Systemwide Debt Securities through the Federal Farm Credit Banks Funding Corporation, and cash and investments. The Bank also maintains several repurchase agreement facilities. In addition, the System has established a line of credit in the event contingency funding is needed to meet obligations of System banks.

The Bank's investments are primarily classified as available-for-sale investments. Refer to the Bank's Third Quarter 2023 Report for additional information related to investments. District Associations also have regulatory authority to enter into certain government guaranteed investments, generally mortgage-backed or asset-backed securities. There was no allowance for credit loss on District investments at September 30, 2023. The following tables summarize the District's investments:

| | September 30, 2023 | | | |
|---|---|---|---|---|
| *(dollars in thousands)* | **Amortized Cost** | **Unrealized Gains** | **Unrealized Losses** | **Fair Value** |
| District Bank investments | $ 9,583,242 | $ 935 | $(1,188,427) | $ 8,395,750 |
| District Association investments | 104,872 | 1,340 | (2,368) | 103,844 |
| Total District investments | $ 9,688,114 | $ 2,275 | $(1,190,795) | $ 8,499,594 |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| *(dollars in thousands)* | **Amortized Cost** | **Unrealized Gains** | **Unrealized Losses** | **Fair Value** |
| District Bank investments | $10,069,991 | $ 931 | $ (995,672) | $ 9,075,250 |
| District Association investments | 25,608 | 151 | (1,737) | 24,022 |
| Total District investments | $10,095,599 | $ 1,082 | $ (997,409) | $ 9,099,272 |

At September 30, 2023, there were $1.2 billion in net unrealized losses in available-for-sale investments, compared to $994.2 million at December 31, 2022. The net unrealized losses are the result of the significant increase in interest rates since the beginning of 2022 which decreased the fair value of existing available-for-sale fixed-rate investment securities. It is anticipated that these securities will be held until maturity with no loss realized. The Bank approximates it could cover 30 days of maturing debt through the sale of available-for-sale securities before recognizing a loss on sale of assets in the event the Bank could not access the markets to issue debt or raise cash through repurchase agreements.

## CAPITAL

Capital serves to support future asset growth, investment in new products and services, and to provide protection against credit, interest rate, and other risks, as well as operating losses. A sound capital position is critical to provide protection to investors in Systemwide Debt Securities and to ensure long-term financial success.

Total shareholders' equity increased $102.5 million, or 1.56 percent, from December 31, 2022, to $6.7 billion at September 30, 2023. This increase is primarily attributed to net income of $452.7 million and $23.0 million in cumulative effect adjustment due to the adoption of CECL, and capital stock issued of $26.8 million. These increases were partially offset by cash patronage of $63.5 million, $32.2 million in retained earnings retired, and capital stock retired of $36.0 million.

In addition to the changes described above, the AgCarolina Farm Credit merger effective on January 1, 2023 reduced equity by $40.7 million due to a decrease in unallocated retained earnings of $106.2 million and an increase in additional paid-in capital of $65.5 million. The AgSouth Farm Credit merger effective on April 1, 2023 also reduced equity by $46.9 million due to a decrease in unallocated retained earnings of $143.4 million and an increase in additional paid-in capital of $96.5 million in accordance with merger accounting requirements.

**Accumulated Other Comprehensive Income (Loss)**

| *(dollars in thousands)* | September 30, | December 31, 2022 |
|---|---|---|
| Unrealized gain (loss) on investment securities | $ (1,186,643) | $ (994,070) |
| Derivatives and hedging activity | — | — |
| Employee benefit plans activity | (230,183) | (250,024) |
| Total accumulated other comprehensive income (loss) | $ (1,416,826) | $ (1,244,094) |

The Farm Credit Administration sets minimum regulatory capital requirements for Banks and Associations. The Bank and all Associations exceeded regulatory capital requirements, as demonstrated in the following table. These ratios are calculated using a three-month average daily balance.

**Regulatory Capital Requirements and Ratios**

| As of September 30, 2023 | Primary Components of Numerator | Regulatory Minimums | Minimum with Buffer | Bank | District Associations |
|---|---|---|---|---|---|
| **Risk adjusted:** | | | | | |
| Common equity tier 1 capital ratio | Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1] | 4.50 % | 7.00 % | 14.30% | 15.93% - 32.64% |
| Tier 1 capital ratio | CET1 capital, non-cumulative perpetual preferred stock | 6.00 % | 8.50 % | 14.30% | 15.93% - 32.64% |
| Total capital ratio | Tier 1 capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4] | 8.00 % | 10.50 % | 14.59% | 16.21% - 33.90% |
| Permanent capital ratio | Retained earnings, common stock, non-cumulative perpetual preferred stock, and subordinated debt, subject to certain limits | 7.00 % | 7.00 % | 14.34% | 15.97% - 33.04% |
| **Non-risk adjusted:** | | | | | |
| Tier 1 leverage ratio* | Tier 1 capital | 4.00 % | 5.00 % | 5.84% | 13.63% - 32.44% |
| URE and UREE component | URE and URE equivalents | 1.50 % | 1.50 % | 4.57% | 11.09% - 32.15% |

[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*
* Must include the regulatory minimum requirement for the URE and UREE Leverage ratio.

## REGULATORY MATTERS

On October 12, 2023, the Farm Credit Administration approved a final rule governing the Farm Credit System's service to young, beginning, and small (YBS) farmers and ranchers. The rule requires banks that fund the direct-lender associations to annually review and approve the association YBS programs. The rule also requires a direct-lender association to enhance the strategic plan of its YBS program. The strategic plan must contain specific elements that will be evaluated as part of a rating system to measure year-over-year internal progress, which would allow the Farm Credit Administration to compare the success of the direct-lender association's YBS program. The final rule becomes effective on February 1, 2024.

On October 5, 2023, the Farm Credit Administration approved a final rule on cyber risk management that requires each System institution to develop and implement a comprehensive, written cyber risk management program. Each institution's cyber risk plan must require the institution to take the actions to assess internal and external risk factors, identify potential system and software vulnerabilities, establish a risk management program for the risks identified, develop a cyber risk training program, set policies for managing third-party relationships, maintain robust internal controls and establish board reporting requirements. The final rule will become effective on January 1, 2025.

On April 14, 2022, the FCA approved a final rule that amends certain regulations to address changes in accounting principles generally accepted in the United States. Such changes reflect the Current Expected Credit Losses (CECL) methodology that replaced the incurred loss methodology upon adoption. Credit loss allowances related to loans, lessor’s net investments in leases, and held-to-maturity debt securities are included in a System institution’s Tier 2 capital up to 1.25 percent of the System institution’s total risk weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets are not eligible for inclusion in a System institution’s Tier 2 capital. The regulation did not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution’s regulatory capital ratios. In addition, the regulation did not permit an exclusion for the CECL day 1 adjustment from the “safe harbor” deemed prior approval provision for capital distributions. The rule became effective on January 1, 2023.

On August 26, 2021, the FCA issued a proposed rule to revise its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent. The proposed rule would ensure that the FCA’s rule remains comparable with the capital rule of other federal banking regulatory agencies and recognizes the increased risk posed by HVCRE exposures. The public comment period ended on January 24, 2022.

On June 30, 2021, the FCA issued an advance notice of proposed rulemaking (ANPRM) that seeks public comments on whether to amend or restructure the System bank liquidity regulations. The purpose of this advance notice is to evaluate the applicability of the Basel III framework to the Farm Credit System and gather input to ensure that System banks have the liquidity to withstand crises that adversely impact liquidity and threaten their viability. The public comment period ended on November 27, 2021.

## OTHER MATTERS

### *Direct Notes*

See the *Direct Notes* section of *Management’s Discussion & Analysis of Financial Condition & Results of Operations* in the AgFirst Farm Credit Bank Third Quarter 2023 Report for a discussion of the Bank’s funding to District Associations.

At September 30, 2023, one Association (0.53 percent of total Direct Note), was operating under a special credit agreement with the Bank pursuant to the GFA and classified as Substandard.

### *Association Merger Activity*

Following approval by AgFirst, the FCA, and shareholders, effective January 1, 2023, Cape Fear Farm Credit, ACA merged with and into AgCarolina Farm Credit, ACA. Combined total assets for the merged Association were $2.7 billion as of September 30, 2023.

Following approval by AgFirst, the FCA, and shareholders, effective April 1, 2023, Carolina Farm Credit, ACA merged with and into AgSouth Farm Credit, ACA.  Combined total assets for the merged entity were $4.2 billion as of September 30, 2023.

***LIBOR Transition***

U.S. dollar LIBOR settings (including with respect to overnight, one-, three-, six-, and twelve-month tenors of U.S. dollar LIBOR) were discontinued or declared non-representative immediately after June 30, 2023.

The Bank and Associations implemented LIBOR transition plans in accordance with FCA's guidance to address the risks associated with the discontinuation of LIBOR. See the Bank's 2022 Annual Report for further discussion on the LIBOR transition plans.

The Bank and Associations had exposure to LIBOR arising from loans made to customers, investment securities purchased, and Systemwide Debt Securities issued by the Funding Corporation on the Bank's behalf.  To the extent necessary, substantially all financial instruments that reference LIBOR have been amended to incorporate adequate fallbacks, including, where appropriate, the Secured Overnight Finance Rate (SOFR)-based fallbacks recommended by the Alternative Reference Rates Committee (ARRC).

To the extent that any Bank contracts do not have or were not amended to include adequate fallback provisions to replace LIBOR, such contracts were amended by operation of law under the federal Adjustable Interest Rate (LIBOR) Act and rules thereunder to include a statutorily designated fallback to LIBOR.  Under the Federal Reserve Board's rule implementing certain provisions of the LIBOR Act (Regulation ZZ), on the LIBOR replacement date (the first London banking day after June 30, 2023), the Federal Reserve Board-selected benchmark replacement, based on the SOFR and including any tenor spread adjustment as provided by Regulation ZZ, automatically replaced references to overnight, one, three, six, and twelve month LIBOR in all remaining contracts that did not mature before the LIBOR replacement date and did not contain adequate fallback language.

The District's variable-rate financial instruments outstanding with LIBOR exposure as of September 30, 2023 equaled 0.2% of total assets.

# *Balance Sheets*

*(unaudited)*

| *(dollars in thousands)* | | **September 30, 2023** | | **December 31, 2022** |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | **$** | **603,350** | $ | 750,899 |
| Cash equivalents | | **570,000** | | 350,000 |
| Investments in debt securities | | **8,501,360** | | 9,101,416 |
| Loans | | **39,818,286** | | 38,103,069 |
| Allowance for loan losses | | **(173,540)** | | (181,254) |
| Net loans | | **39,644,746** | | 37,921,815 |
| Loans held for sale | | **2,586** | | 1,720 |
| Accrued interest receivable | | **388,073** | | 296,439 |
| Accounts receivable | | **73,515** | | 53,540 |
| Equity investments in other Farm Credit institutions | | **61,352** | | 62,823 |
| Other Investments | | **5,662** | | 3,902 |
| Premises and equipment, net | | **329,334** | | 294,045 |
| Other property owned | | **4,467** | | 4,310 |
| Other assets | | **69,713** | | 66,587 |
| Total assets | **$** | **50,254,158** | $ | 48,907,496 |
| **Liabilities** | | | | |
| Systemwide bonds payable | **$** | **38,352,043** | $ | 35,233,552 |
| Systemwide notes payable | | **4,523,257** | | 6,186,573 |
| Accrued interest payable | | **274,439** | | 142,782 |
| Accounts payable | | **144,489** | | 485,684 |
| Advanced conditional payments | | **26,349** | | 9,548 |
| Other liabilities | | **245,974** | | 264,206 |
| Total liabilities | | **43,566,551** | | 42,322,345 |
| **Shareholders' Equity** | | | | |
| Protected borrower equity | | **445** | | 445 |
| Capital stock and participation certificates | | **182,439** | | 191,247 |
| Additional paid-in-capital | | **516,563** | | 354,575 |
| Retained earnings | | | | |
| Allocated | | **2,380,326** | | 2,398,494 |
| Unallocated | | **5,024,660** | | 4,884,484 |
| Accumulated other comprehensive loss | | **(1,416,826)** | | (1,244,094) |
| Total shareholders' equity | | **6,687,607** | | 6,585,151 |
| Total liabilities and equity | **$** | **50,254,158** | $ | 48,907,496 |

# Statements of Comprehensive Income

*(unaudited)*

| *(dollars in thousands)* | For the Three Months Ended September 30, 2023 | For the Three Months Ended September 30, 2022 | For the Nine Months Ended September 30, 2023 | For the Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| **Interest Income** | | | | |
| Investments | **$ 83,882** | $ 54,386 | **$ 238,938** | $ 133,703 |
| Loans | **614,829** | 450,320 | **1,741,500** | 1,197,049 |
| Other | **4,725** | 1,106 | **13,394** | 1,375 |
| Total interest income | **703,436** | 505,812 | **1,993,832** | 1,332,127 |
| **Interest Expense** | **373,252** | 163,278 | **992,370** | 327,513 |
| Net interest income | **330,184** | 342,534 | **1,001,462** | 1,004,614 |
| Provision for (reversal of) credit losses | **10,818** | (4,971) | **54,098** | (13,182) |
| Net interest income after provision for (reversal of) credit losses | **319,366** | 347,505 | **947,364** | 1,017,796 |
| **Noninterest Income** | | | | |
| Loan fees | **9,568** | 10,030 | **29,349** | 31,409 |
| Fees for financially related services | **5,886** | 4,655 | **14,506** | 11,851 |
| (Losses) gains on debt extinguishment | **—** | — | **(3,711)** | 56 |
| Gains (losses) on other transactions | **2,554** | (189) | **6,518** | (593) |
| Patronage refunds from other Farm Credit institutions | **635** | 495 | **3,589** | 6,869 |
| Other noninterest income | **1,640** | 2,368 | **4,908** | 6,003 |
| Total noninterest income | **20,283** | 17,359 | **55,159** | 55,595 |
| **Noninterest Expenses** | | | | |
| Salaries and employee benefits | **96,151** | 91,641 | **290,384** | 278,985 |
| Occupancy and equipment | **7,430** | 7,595 | **21,804** | 21,367 |
| Insurance Fund premiums | **16,798** | 17,201 | **49,499** | 49,426 |
| Purchased services | **20,055** | 18,029 | **57,029** | 53,858 |
| Data processing | **13,579** | 10,009 | **37,711** | 27,628 |
| Other operating expenses | **30,096** | 26,065 | **92,188** | 79,761 |
| Losses from other property owned | **46** | 20 | **(296)** | (59) |
| Total noninterest expenses | **184,155** | 170,560 | **548,319** | 510,966 |
| Income before income taxes | **155,494** | 194,304 | **454,204** | 562,425 |
| Provision for income taxes | **543** | 402 | **1,548** | 1,506 |
| **Net income** | **$ 154,951** | $ 193,902 | **$ 452,656** | $ 560,919 |
| **Other comprehensive income (loss):** | | | | |
| Unrealized losses on investments | **$ (192,458)** | $ (336,280) | **$ (192,577)** | $ (988,728) |
| Change in value of cash flow hedges | **—** | (13) | **—** | (31) |
| Employee benefit plans adjustments | **6,372** | 5,773 | **19,845** | 17,350 |
| Other comprehensive income (loss) | **(186,086)** | (330,520) | **(172,732)** | (971,409) |
| Comprehensive income (loss) | **$ (31,135)** | $ (136,618) | **$ 279,924** | $ (410,490) |

## DISTRICT ASSOCIATIONS

As of September 30, 2023

| Associations | Direct Notes | % of Direct Note Total | Total Assets | Total Allowance and Capital | Total Regulatory Capital Ratio | Nonperforming Loans as a % of Total Loans | ROA |
|---|---|---|---|---|---|---|---|
| *(dollars in thousands)* | | | | | | | |
| Horizon Farm Credit, ACA | $ 5,280,173 | 22.16 % | $ 6,590,921 | $ 1,212,855 | 16.21 % | 0.49 % | 2.07 % |
| AgSouth Farm Credit, ACA | 3,300,518 | 13.85 | 4,187,256 | 843,099 | 19.21 | 0.35 | 2.14 |
| Ag Credit, ACA | 2,624,634 | 11.02 | 3,166,578 | 524,415 | 19.60 | 0.30 | 1.98 |
| First South Farm Credit, ACA | 2,452,675 | 10.29 | 3,134,647 | 652,368 | 17.87 | 0.26 | 1.90 |
| AgCarolina Farm Credit, ACA | 2,116,071 | 8.88 | 2,673,591 | 546,118 | 17.92 | 0.49 | 2.11 |
| Farm Credit of the Virginias, ACA | 1,703,346 | 7.15 | 2,228,932 | 513,205 | 21.44 | 0.89 | 1.67 |
| Farm Credit of Florida, ACA | 1,240,773 | 5.21 | 1,622,186 | 371,381 | 19.56 | 0.69 | 1.82 |
| AgGeorgia Farm Credit, ACA | 1,089,260 | 4.57 | 1,394,391 | 294,062 | 19.69 | 0.54 | 1.92 |
| Farm Credit of Central Florida, ACA | 802,985 | 3.37 | 959,678 | 145,247 | 16.83 | 0.76 | 1.16 |
| Southwest Georgia Farm Credit, ACA | 593,889 | 2.49 | 731,241 | 135,873 | 17.47 | 0.98 | 1.92 |
| Colonial Farm Credit, ACA | 590,288 | 2.48 | 808,400 | 212,003 | 23.96 | 0.25 | 2.03 |
| Central Kentucky, ACA | 584,374 | 2.45 | 734,594 | 147,920 | 20.03 | 0.13 | 1.92 |
| ArborOne, ACA | 552,090 | 2.32 | 683,527 | 132,934 | 18.21 | 0.58 | 2.08 |
| River Valley AgCredit, ACA | 480,831 | 2.02 | 620,914 | 129,839 | 19.40 | 0.87 | 1.53 |
| Farm Credit of Northwest Florida, ACA | 294,104 | 1.23 | 397,801 | 99,183 | 24.04 | — | 1.95 |
| Puerto Rico Farm Credit, ACA | 120,172 | 0.50 | 181,976 | 63,787 | 33.90 | 3.50 | (0.81) |

**AgFirst Farm Credit Bank**

AgFirst Farm Credit Bank
1901 Main Street
Columbia, SC 29201
803-799-5000
www.agfirst.com

**AgFirst District Associations**

AgCarolina Farm Credit, ACA
636 Rock Spring Road
Greenville, NC 27834
800-951-3276
www.agcarolina.com

AgCredit Agricultural Credit Association
610 W. Lytle Street
Fostoria, OH 44830-3422
419-435-7758
www.agcredit.net

AgGeorgia Farm Credit, ACA
468 Perry Parkway
Perry, GA 31069
478-987-8300
www.aggeorgia.com

AgSouth Farm Credit, ACA
146 Victory Lane
Statesville, NC 28625
704-873-0276
www.agsouthfc.com

ArborOne, ACA
800 Woody Jones Blvd.
Florence, SC 29501
843-662-1527
www.arborone.com

Central Kentucky Agricultural Credit Association
2429 Members Way
Lexington, KY 40504
859-253-3249
www.agcreditonline.com

Colonial Farm Credit, ACA
7104 Mechanicsville Turnpike
Mechanicsville, VA 23111
804-746-1252
www.colonialfarmcredit.com

Farm Credit of Central Florida, ACA
204 East Orange Street, Suite 200
Lakeland, FL 33801
863-682-4117
www.farmcreditcfl.com

Farm Credit of Florida, ACA
11903 Southern Boulevard Suite 200
West Palm Beach, FL 33411
561-965-9001
www.farmcreditfl.com

Farm Credit of Northwest Florida, ACA
5052 Highway 90 East
Marianna, FL 32446
850-526-4910
www.farmcredit-fl.com

Farm Credit of the Virginias, ACA
106 Sangers Lane
Staunton, VA 24401
540-886-3435
www.farmcreditofvirginias.com

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574 Highland Colony Parkway, Suite 100
Ridgeland, MS 39157
601-977-8381
www.firstsouthfarmcredit.com

Horizon Farm Credit, ACA
300 Winding Creek Blvd.
Mechanicsburg, PA 17050
888-339-3334
www.horizonfc.com

Puerto Rico Farm Credit, ACA
213 Domenech Ave.
San Juan, PR 00918
787-753-0579
www.prfarmcredit.com

River Valley AgCredit, ACA
2731 Olivet Church Rd.
Paducah, KY 42001
270-554-2912
www.rivervalleyagcredit.com

Southwest Georgia Farm Credit, ACA
305 Colquitt Highway
Bainbridge, GA 39817
229-246-0384
www.swgafarmcredit.com