2023 FIRST QUARTER REPORT

AGFIRST FARM CREDIT BANK

BUILDING BLOCKS

FIRST QUARTER 2023

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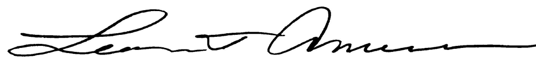
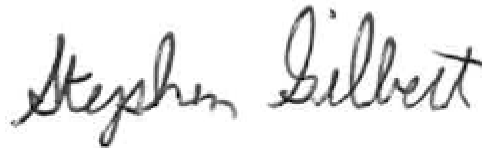
CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2023, quarterly report of AgFirst Farm Credit Bank, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Michael T. ("Bo") Stone
Chairman of the Board



Leon T. Amerson
Chief Executive Officer & President



Stephen Gilbert
Chief Financial Officer

May 9, 2023

Report on Internal Control Over Financial Reporting

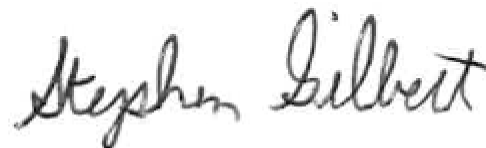
The Bank's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Bank's Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Bank's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management, and other personnel. This process is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America (GAAP).

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Bank, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Bank, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on its Financial Statements.

The Bank's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2023. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Bank's management concluded that as of March 31, 2023, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Bank's management determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2023.

Leon T. Amerson
Chief Executive Officer & President



Stephen Gilbert
Chief Financial Officer

May 9, 2023

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion reviews the financial condition and results of operations of AgFirst Farm Credit Bank (AgFirst or Bank) as of and for the three months ended March 31, 2023. These comments should be read in conjunction with the accompanying financial statements, the Notes to the Financial Statements, and the 2022 Annual Report of AgFirst Farm Credit Bank. AgFirst and its related associations (Associations or District Associations) are collectively referred to as the District. The accompanying financial statements were prepared under the oversight of the Audit Committee of the AgFirst Board of Directors.

Key ratios and data reported below, and in the accompanying financial statements, address the financial performance of AgFirst. However, the results of operations for the three months may not be indicative of an entire year due to the seasonal nature of a portion of AgFirst's business.

FORWARD-LOOKING INFORMATION

This quarterly report contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from AgFirst's expectations and predictions due to a number of risks and uncertainties, many of which are beyond AgFirst's control.

There have been no material changes to the risks described in the Bank's 2022 Annual Report. Terms not defined herein have the meaning set forth in the 2022 Annual Report.

CRITICAL ACCOUNTING POLICIES

The Bank's financial statements are reported in conformity with generally accepted accounting principles in the United States of America. The significant accounting policies are critical to the understanding of the results of operations and financial condition because some accounting policies require complex or subjective judgments and estimates that may affect the reported amounts of certain assets or liabilities. For a complete discussion of the significant accounting policies, see Note 2 to the Bank's 2022 Annual Report. The following is a summary of a change to one of the most significant critical accounting policies:

- Allowance for credit losses (ACL) — On January 1, 2023, the Bank adopted the Financial Accounting Standards Board (FASB) guidance entitled "Measurement of Credit Losses on Financial Instruments" and other subsequently issued accounting standards updates related to credit losses. This guidance replaced the incurred loss impairment methodology with a single allowance framework that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures.
- The ACL comprises:
    - the allowance for credit losses on loans, which covers the loan portfolio and is presented separately on the Balance Sheets,
    - the ACL on unfunded commitments, which is presented on the Balance Sheets in other liabilities, and
    - the ACL on investment securities, which covers held-to-maturity and available-for-sale securities.

The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. In addition, judgment is applied to adjust various loss

factors, taking into consideration model imprecision and concentrations that may not be completely reflected in the loss factors. See Note 1 for additional information on the policies and methodologies for determining the ACL.

Changes in any one factor considered in the evaluation of losses in its loan portfolio, unfunded commitments and investment securities could result in a change in the ACL and have a direct impact on its provision for credit losses and results of operations.

There was no ACL determined necessary for investment securities at March 31, 2023.

FINANCIAL CONDITION

Loan Portfolio

Loans outstanding totaled $32.1 billion at March 31, 2023, an increase of $592.4 million, or 1.88 percent, compared to total loans outstanding at December 31, 2022 and an increase of $3.4 billion, or 11.94 percent, since March 31, 2022.

AgFirst's loan portfolio consists of direct loans to District Associations (Direct Notes), Capital Markets loans (loan participations/syndications purchased), Correspondent Lending loans (primarily first lien rural residential mortgages), and loans to Other Financing Institutions (OFIs) as shown below:

Loan Portfolio	**March 31,**	**December 31,**	**March 31,**	**March 2023 Compared to December 2022**		**March 2023 Compared to March 2022**	
(dollars in thousands)	**2023**	**2022**	**2022**	**$ Change**	**% Change**	**$ Change**	**% Change**
Direct Notes*	$ 21,152,321	$ 21,217,281	$ 19,441,462	$ (64,960)	(0.31)%	$1,710,859	8.80 %
Capital Markets*	7,565,549	6,927,516	6,085,919	638,033	9.21 %	1,479,630	24.31 %
Correspondent Lending	3,181,204	3,157,675	2,954,906	23,529	0.75 %	226,298	7.66 %
Loans to OFIs	162,077	166,260	158,916	(4,183)	(2.52)%	3,161	1.99 %
Total	$ 32,061,151	$ 31,468,732	$ 28,641,203	$ 592,419	1.88 %	$3,419,948	11.94 %

	Portfolio Distribution		
	March 31, 2023	**December 31, 2022**	**March 31, 2022**
Direct Notes*	65.97 %	67.42 %	67.88 %
Capital Markets*	23.60 %	22.01 %	21.25 %
Correspondent Lending	9.92 %	10.04 %	10.32 %
Loans to OFIs	0.51 %	0.53 %	0.55 %
Total	100.00 %	100.00 %	100.00 %

**Capital Markets and Direct Notes are presented net of participations sold*

As noted in the table above, a significant portion of the Bank's loan portfolio is comprised of Direct Notes to District Associations. Since Direct Notes fund District Associations' lending activities, increases and decreases in the Direct Note portfolio are closely linked to the commodities and geographic distribution of the District Associations' loan portfolios.

Loan growth in the combined District portfolio since December 31, 2022, was primarily due to growth in the processing, utilities, forestry, and field crops segments. Compared to March 31, 2022, the year-over-year increase in loan growth was primarily in the processing, utilities, forestry, field crops, 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. See *Direct Notes*, *Capital Markets*, and *Correspondent Lending* sections below for further discussion of loan variances.

Credit Quality

Credit quality of AgFirst's loans is shown below:

	Total Loan Portfolio Credit Quality as of:		
Classification	**March 31, 2023**	**December 31, 2022***	**March 31, 2022***
Acceptable	99.23 %	99.52 %	99.55 %
OAEM **	0.54 %	0.18 %	0.25 %
Substandard/doubtful/loss	0.23 %	0.30 %	0.20 %

**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.*
***Other Assets Especially Mentioned.*

The table above reflects a decline in Acceptable credit quality during the first quarter of 2023 compared to both prior periods presented, primarily as a result of the classification of a single Direct Note as OAEM. Excluding the change in Direct Note, Bank credit quality improved slightly when compared to the prior periods presented. Credit quality may be 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. See the *Direct Notes*, *Capital Markets*, and *Correspondent Lending* sections below for further discussion of the Bank's loan portfolio and credit quality.

Direct Notes

AgFirst's primary business is to provide funding, operational support, and technology services to District Associations. Each Association, in addition to the Bank, is a federally chartered instrumentality of the United States and is regulated by the Farm Credit Administration (FCA). AgFirst provides a revolving line of credit, referred to as a Direct Note, to each of the District Associations. Each of the Associations funds its lending and general corporate activities primarily by borrowing under its Direct Note. Lending terms are specified in a separate General Financing Agreement (GFA) between AgFirst and each Association. Each GFA contains minimum borrowing base margin, capital, and earnings requirements that must be maintained by the Association.

At March 31, 2023, the total Direct Note volume outstanding was $21.2 billion, a decrease of $65.0 million, or 0.31 percent, compared to December 31, 2022. Cash patronage payments to Associations of approximately $190.9 million reduced Association Direct Notes at the beginning of 2023 by 0.90 percent. Compared to March 31, 2022, Direct Note volume increased $1.7 billion, or 8.80 percent. See the *Loan Portfolio* section above for the primary reasons for the change in Direct Notes.

	Direct Note Credit Quality as of:					
	March 31, 2023		**December 31, 2022***		**March 31, 2022***	
Classification	**% Total**	**# Total****	**% Total**	**# Total****	**% Total**	**# Total**
Acceptable	99.44 %	16	100.00 %	18	100.00 %	19
OAEM	0.56 %	1	— %	—	— %	—
Substandard/doubtful/loss	— %	—	— %	—	— %	—

**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.*
***Decrease in the number of Associations is a result of mergers. See further discussion in Note 1 to the Financial Statements.*

During the first quarter, one Association, with Direct Notes outstanding of $117.7 million (0.56 percent of total Direct Note), began operating under a special credit agreement with the Bank pursuant to the GFA and was downgraded to OAEM. This Direct Note was classified as acceptable for all prior periods presented. The remaining Direct Notes were classified as acceptable and were operating in compliance with all financial covenants of the GFA for all periods presented.

Presently, collection of the full Direct Note amount due is expected from all Associations, including the Association classified as OAEM, in accordance with the contractual terms of the debt arrangements, and no allowance has been recorded for Direct Notes. Virtually all assets of the various Associations are pledged as collateral for their

respective Direct Notes. In the opinion of management, all Association Direct Notes are adequately collateralized. The risk funds of an Association, including both capital and the allowance for credit losses, also protect the interest of the Bank should a Direct Note default.

Capital Markets

The Capital Markets portfolio consists of loan participations and syndications purchased primarily from other System institutions, commercial banks, and other lenders. As of March 31, 2023, this portfolio totaled $7.6 billion, an increase of $638.0 million, or 9.21 percent, from December 31, 2022, and an increase of $1.5 billion, or 24.31 percent, from March 31, 2022. The increase in both periods was primarily due to growth in the utilities, processing, forestry, and field crops segments. See *Loan Portfolio* section above for discussion of the primary factors driving growth in the portfolio.

AgFirst employs a number of management techniques to limit credit risk, including underwriting standards, limits on the amounts of loans purchased from a single originator, and maximum hold positions to a single borrower and commodity. Although the Capital Markets portfolio is comprised of a small number of relatively large loans, it is diversified both geographically and on a commodity basis. Management makes adjustments to credit policy and underwriting standards when appropriate as a part of the ongoing risk management process.

Credit quality percentages at March 31, 2023 have remained relatively stable compared to the previous periods presented. During the three months ended March 31, 2023, paydowns and dispositions of loans classified as OAEM and Substandard resulted in an increase in the percentage of the portfolio classified as Acceptable. Credit quality for the Capital Markets portfolio is shown in the following chart:

	Capital Markets Credit Quality as of:		
Classification	**March 31, 2023**	**December 31, 2022***	**March 31, 2022***
Acceptable	98.48 %	98.06 %	98.11 %
OAEM	0.73 %	0.83 %	1.17 %
Substandard/doubtful/loss	0.79 %	1.11 %	0.72 %

**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.*

Correspondent Lending

The Correspondent Lending portfolio consists primarily of purchased first lien residential mortgages. As of March 31, 2023, the Correspondent Lending portfolio totaled $3.2 billion, an increase of $23.5 million, or 0.75 percent, from December 31, 2022, and an increase of $226.3 million, or 7.66 percent, from March 31, 2022. $20.5 million of Correspondent Lending loans were sold to investors during the first quarter of 2023 to manage risk during a period of market volatility. Had the sale not occurred, the increases compared to December 31, 2022 and March 31, 2022 would have been $44.0 million (1.39 percent) and $246.8 million (8.35 percent), respectively. The net increase in both periods resulted from the funding of purchased construction-to-permanent financing loans.

As of March 31, 2023, $600.5 million, or 18.88 percent of loans in the Correspondent Lending portfolio include a long-term standby commitment to purchase (LTSP) and $2.6 billion, or 81.12 percent, are not covered under a LTSP. The LTSPs from the Federal National Mortgage Association (Fannie Mae) and/or Federal Agricultural Mortgage Corporation (Farmer Mac), give AgFirst the right to deliver delinquent loans to the guarantor at par. The Bank ceased participation in the LTSP program during 2013. The remaining loans are included in the Bank’s allowance for credit losses methodology related to this portfolio.

Credit quality for the Correspondent lending portfolio has remained relatively stable as shown in the following chart:

Classification	Correspondent Lending Credit Quality as of: March 31, 2023	December 31, 2022*	March 31, 2022*
Acceptable	99.53 %	99.51 %	99.52 %
Substandard/doubtful/loss	0.47 %	0.49 %	0.48 %

**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.*

Nonaccrual Loans

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 Bank totaled $55.7 million at March 31, 2023 compared to $37.1 million at December 31, 2022. The increase is primarily related to one relationship (tree fruits and nuts) transitioning into nonaccrual status during the first quarter with a total exposure of $20.2 million. The increase in nonaccrual loans was partially offset by the note sale for one relationship (field crops) that resulted in $4.3 million in charge-offs during the period. Nonaccrual loans were 0.17 percent and 0.12 percent of total loans outstanding at March 31, 2023 and December 31, 2022, respectively.

Nonaccrual by Eligibility

	March 31, 2023		December 31, 2022	
	Total Amount	% of Total	Total Amount	% of Total
Tree Fruits and Nuts	$ 20,233	36.32 %	$ —	— %
Rural Home Loans	17,314	31.08 %	17,210	46.37 %
Field Crops	8,642	15.51 %	13,339	35.94 %
Utilities	5,988	10.75 %	2,966	7.99 %
Grains	3,079	5.53 %	3,143	8.47 %
Other Real Estate	457	0.81 %	460	1.23 %
Total	$ 55,713	100.00 %	$ 37,118	100.00 %

Other Property Owned

Other property owned (OPO) consists primarily of assets once pledged as loan collateral that were acquired through foreclosure or deeded to the Bank (or a lender group) in satisfaction of secured loans. OPO may be comprised of real estate, equipment, and equity interests in companies or partnerships. The Bank had no OPO at both March 31, 2023 and December 31, 2022.

Allowance for Credit Losses

Upon adoption of CECL, the Bank recorded a Day 1 increase in the ACL of $15.7 million, which included a $12.2 million increase in the allowance for loan losses and a $3.5 million increase in the allowance for unfunded commitments. These increases were primarily in the rural residential mortgage portfolio due to the requirement to estimate losses over the contractual life of financial assets. See further discussion on the adoption of CECL in *Critical Accounting Policies* and *Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements.*

The ACL was $54.3 million at March 31, 2023, as compared with $27.6 million at December 31, 2022. The increase was primarily due to the $15.7 million Day 1 adjustment with the adoption of CECL and a provision for credit losses of $15.4 million during the first quarter, partially offset by net charge-offs of $4.4 million. The ACL at March 31, 2023 included reserves of $13.1 million for loans individually evaluated for credit loss, $37.5 million for loans collectively evaluated for credit loss, and $3.6 million in allowance for unfunded commitments. See *Provision for Credit Losses* and *Nonaccrual Loans* sections for additional details regarding provision expense and net charge-offs for the three months ended March 31, 2023.

Allowance for Loan Losses by Eligibility				
	March 31, 2023		**December 31, 2022**	
	Total Amount	**% of Total**	**Total Amount**	**% of Total**
Rural Home Loans	$ 25,368	50.10 %	$ 6,194	23.76 %
Tree Fruits and Nuts	10,817	21.36 %	1,564	6.00 %
Processing	3,993	7.89 %	4,219	16.18 %
Utilities	3,919	7.74 %	2,374	9.11 %
Forestry	1,805	3.57 %	1,751	6.72 %
Field Crops	1,187	2.35 %	4,056	15.56 %
Nursery/Greenhouse	1,035	2.04 %	1,226	4.70 %
Other	2,511	4.95 %	4,686	17.97 %
Total	$ 50,635	100.00 %	$ 26,070	100.00 %

The allowance for loan losses was 0.16 percent of total loans outstanding at March 31, 2023, and 0.08 percent at December 31, 2022. See Note 2, *Loans and Allowance for Credit Losses*, in the Notes to the Financial Statements for further information.

Interest Rate Risk Management

Interest rate risk is the risk of loss of future earnings or long-term market value of equity that may result from changes in interest rates. This risk can produce variability in Bank earnings (net interest spread achieved and net interest income earned) and, ultimately, the long-term capital position of the Bank. The objective of interest rate risk management is to generate a reliable level of net interest income in any interest rate environment and to preserve the long-term market value of equity. AgFirst uses a variety of analytical techniques to manage the complexities associated with offering numerous loan options. Interest rate sensitivity gap analysis is used to monitor the repricing and maturity characteristics of AgFirst's interest-earning assets and interest-bearing liabilities. Simulation analysis is used to determine the potential change in net interest income and in the market value of equity under various possible future market interest rate environments.

AgFirst and the District Associations adhere to a philosophy that loans should be priced competitively in the market and that loan rates and spreads should be contractually established at loan closing such that a borrower is not subject to rate changes at the discretion of management or boards of directors. Therefore, District Association variable-rate and adjustable-rate loans are generally indexed to market rates, and fixed-rate loans are priced based on market rates. Loan products offered by the Associations include Prime- or other reference rate-indexed variable-rate loans, one-, three-, and five-year Treasury-indexed adjustable-rate loans, and fixed-rate loans. Variable-rate and adjustable-rate loans are offered with or without caps. Terms are available for up to 30 years. A variety of repayment options are offered, with the ability to pay on a monthly, quarterly, semi-annual, or annual frequency. In addition, customized repayment schedules may be negotiated to fit a borrower's unique circumstances.

The following tables represent changes in AgFirst's market value of equity and projected change over the next twelve months in net interest income for various interest rate movements as of March 31, 2023 and December 31, 2022. The upward and downward shocks generally capture the effects of embedded options and convexity within the assets and liabilities based on movements in interest rates.

	March 31, 2023			
	-200	**-100**	**+100**	**+200**
Change in net interest income	1.01 %	0.66 %	3.67 %	6.80 %
Change in market value of equity	19.31 %	8.18 %	(5.42)%	(9.40)%

	December 31, 2022			
	-200	**-100**	**+100**	**+200**
Change in net interest income	(3.26)%	(2.14)%	3.72 %	7.65 %
Change in market value of equity	20.05 %	7.11 %	(4.18)%	(5.44)%

During the first quarter 2023, the Bank modified prepayment assumptions used in modeling SBA investment securities. The prepayment model that was previously utilized produced faster prepayments than actually experienced as a result of the rapid increase in interest rates during 2022. The change was implemented after extensive calibration of the prepayment model and the resulting longer duration of the SBA portfolio resulted in a significant increase in market value of equity sensitivity, as reflected in the tables above. The change did not materially impact the change in net interest income.

LIBOR Transition

The Bank and Associations have 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.

The FCA has issued guidance similar to that of the U.S. prudential regulators but applicable for System institutions to follow as they prepare for the expected phase-out of LIBOR. The guidelines direct each System institution to develop a LIBOR transition plan designed to provide an orderly roadmap of actions that will reduce LIBOR exposure, stop the inflow of new LIBOR volume, and adjust operating processes to implement alternative reference rates.

The Bank and Associations have implemented LIBOR transition plans and continue to analyze potential risks associated with the LIBOR transition, including, but not limited to, financial, market, accounting, operational, legal, tax, reputational, and compliance risks. See the Bank's 2022 Annual Report for further discussion on the LIBOR transition.

The following is a summary of Bank variable-rate financial instruments outstanding with LIBOR exposure at period end:

	March 31, 2023				
(dollars in millions)	**Due Before June 30, 2023**	**Due After June 30, 2023**	**Total**	**% Due After June 30, 2023 to Balance Sheet Line Item**	**% Due After June 30, 2023 without fallback provisions**
Investments	$ —	$ 724	$ 724	8.1%	—%
Loans	28	1,275	1,303	5.4%	—%
Total Assets	$ 28	$ 1,999	$ 2,027	5.8%	—%
Systemwide debt securities	$ —	$ —	$ —	N/A	N/A
Total Liabilities and Equity	$ —	$ —	$ —	N/A	N/A

The Bank is actively monitoring LIBOR exposure of the financial instruments listed in the table above as part of its LIBOR Transition Plan (Plan). The Plan includes implementing fallback language into variable-rate financial instruments which provides the ability to move these instruments to another index. A large portion of the Bank's loans that have exposure to LIBOR are purchased from other financial institutions and the Bank is dependent on the other financial institutions to perform the borrower negotiations. To the extent that any loan has not been prepaid, redeemed or amended prior to June 30, 2023 to include a non-LIBOR fallback rate, pursuant to the LIBOR Act and Regulation ZZ, the LIBOR-based rate that would have been paid under such loan will be replaced by operation of law.

The following is a summary of total Association variable-rate financial instruments outstanding with LIBOR exposure at period end:

	March 31, 2023				
(dollars in millions)	**Due Before June 30, 2023**	**Due After June 30, 2023**	**Total**	**% Due After June 30, 2023 to Balance Sheet Line Item**	**% Due After June 30, 2023 without fallback provisions**
Loans	$ 15	$ 578	$ 593	2.1%	—%
Total Assets	$ 15	$ 578	$ 593	2.0%	—%

Liquidity and Funding Sources

One of AgFirst's primary responsibilities is to maintain sufficient liquidity to fund the lending operations of the District Associations, in addition to its own needs. Along with normal cash flows associated with lending operations, AgFirst has two primary sources of liquidity: the capacity to issue Systemwide Debt Securities through the Funding Corporation; and cash and investments.

The principal source of liquidity for AgFirst, unlike commercial banks and other depository institutions, comes from its ability to issue Systemwide Debt Securities, which are the general unsecured joint and several obligations of the System banks. AgFirst continually raises funds in the debt markets to support its mission, to repay maturing Systemwide Debt Securities, and to meet other obligations.

The U.S. government does not guarantee, directly or indirectly, Systemwide Debt Securities. However, the Farm Credit System, as a GSE, has benefited from broad access to the domestic and global capital markets. This access has provided the System with a dependable source of competitively priced debt which is critical for supporting the System's mission of providing credit to agriculture and rural America.

The Farm Credit Act and Farm Credit Administration regulations require, as a condition for a Bank's participation in the issuance of Systemwide Debt Securities, that the Bank maintain specified eligible assets, referred to in the Farm Credit Act as "collateral," at least equal in value (100.00 percent) to the total amount of the debt securities outstanding for which it is primarily liable. At March 31, 2023 and December 31, 2022, the statutory collateral ratio was 103.35 percent and 103.63 percent, respectively.

The System does not have a guaranteed line of credit from the U.S. Treasury or the Federal Reserve. However, the Farm Credit System Insurance Corporation (FCSIC) has an agreement with the Federal Financing Bank (FFB), a federal instrumentality subject to the supervision and direction of the U.S. Treasury, pursuant to which the FFB could advance funds to the FCSIC. Under its existing statutory authority, the FCSIC may use these funds to provide assistance to the System banks in exigent market circumstances which threaten the banks' ability to pay maturing debt obligations. The agreement provides for advances of up to $10 billion and terminates on September 30, 2023, unless otherwise renewed. The decision whether to seek funds from the FFB is at the discretion of the FCSIC. Each funding obligation of the FFB is subject to various terms and conditions and, as a result, there can be no assurance that funding would be available if needed by AgFirst or the System.

Currently, Moody's Investor Service and Fitch Ratings have assigned long-term debt ratings for the System of Aaa and AAA and short-term debt ratings of P-1 and F1, respectively. These are the highest ratings available from these rating agencies. S&P Global Ratings (S&P) maintains the long-term debt rating of the System at AA+, which directly corresponds to its AA+ long-term sovereign credit rating of the U.S. government. These rating agencies base their ratings on many quantitative and qualitative factors, including the System's status as a GSE. Negative changes to the System's credit ratings could reduce earnings by increasing debt funding costs and could also have a material adverse effect on liquidity, the ability to conduct normal business operations, and the Bank's overall financial condition and results of operations. However, AgFirst anticipates continued access to funding necessary to support the District's and Bank's needs.

At March 31, 2023, AgFirst had $40.8 billion in total debt outstanding compared to $40.1 billion at December 31, 2022, an increase of $618.4 million, or 1.54 percent.

To mitigate the risk of a disruption in the Bank's ability to issue debt securities, the Bank has investment securities repurchase agreements in place with several commercial banks for commitments totaling approximately $6.1 billion. A standard repurchase agreement involves the acquisition of immediately available funds through the sale of securities with a simultaneous commitment to repurchase the same securities on a certain date within one year at a specified price, including interest at an agreed upon rate. In addition, the System has established lines of credit in the event contingency funding is needed to meet obligations of System banks.

Cash and cash equivalents, which increased $76.0 million from December 31, 2022 to a total of $1.2 billion at March 31, 2023, consist primarily of cash on deposit and money market securities that are short-term in nature (maturities of overnight to 90 days). Incremental movements in cash and cash equivalents balances between reporting periods are due primarily to changes in liquidity needs.

Investments in debt securities totaled $8.9 billion, or 20.94 percent of total assets at March 31, 2023, compared to $9.1 billion, or 21.57 percent of total assets as of December 31, 2022, a decrease of $148.2 million, or 1.63 percent. Nearly all investments, $8.9 billion as of March 31, 2023, are classified as being available for sale. Available-for-sale investments at March 31, 2023 included $139.2 million in U.S. Treasury securities, $3.9 billion in U.S. government guaranteed securities, $4.5 billion in U.S. government agency guaranteed securities, and $387.5 million in non-agency asset-backed securities. Since the majority of the portfolio is invested in U.S. government guaranteed and agency securities, the portfolio is highly liquid and potential credit loss exposure is limited. See Note 3, *Investments*, in the Notes to the Financial Statements for further information regarding types of securities that may be held under applicable FCA guidelines.

Management maintains the available-for-sale liquidity investment portfolio size generally proportionate with that of the loan portfolio and within regulatory and policy guidelines which provide that a System bank may hold certain eligible available-for-sale investments in an amount not to exceed 35.00 percent of its quarterly average daily balance of loans outstanding. Based upon FCA guidelines, at March 31, 2023, the Bank's eligible available-for-sale investments were 32.00 percent of its quarterly average daily balance of loans outstanding.

FCA regulations require that the Bank have a liquidity policy that establishes a minimum total "coverage" level of 90 days and that short-term liquidity requirements must be met by certain high-quality investments or cash. "Coverage" is defined as the number of days that maturing debt could be funded with eligible cash, cash equivalents, and available-for-sale investments maintained by the Bank.

The FCA classifies eligible liquidity investments according to three liquidity quality levels with level 1 being the most liquid. The first 15 days of minimum liquidity coverage are met using only level 1 instruments, which include cash and cash equivalents. Days 16 through 30 of minimum liquidity coverage are met using level 1 and level 2 instruments. Level 2 consists primarily of U.S. government guaranteed securities. Days 31 through 90 are met using level 1, level 2, and level 3 securities. Level 3 consists primarily of U.S. government agency investments. Additionally, a supplemental liquidity buffer in excess of the 90-day minimum liquidity reserve is set to provide coverage to at least 120 days.

At March 31, 2023, AgFirst met each of the individual level criteria above and had a total of 194 days of maturing debt coverage compared to 221 days at December 31, 2022. Cash provided by the Bank's operating activities is an additional source of liquidity for the Bank that is not reflected in the coverage calculation. In the fourth quarter of 2022, the Bank began reducing the size of the investment portfolio in relationship to loans outstanding through natural runoff with a target of maintaining 180 days of liquidity. This allows the Bank to optimize capital and reduce the Bank's relative exposure to price volatility inherent in the investment portfolio.

See Note 3, *Investments*, and Note 4, *Debt*, in the Notes to the Financial Statements for further information.

Capital

Total shareholders' equity increased $167.8 million, or 11.56 percent, from December 31, 2022 to $1.6 billion at March 31, 2023. This increase is primarily attributed to a decrease in unrealized losses on investments of $113.6 million and an increase in retained earnings from net income of $70.3 million. These increases were partially offset by a decrease in retained earnings of $15.7 million from the cumulative effect adjustment for the adoption of CECL effective January 1, 2023.

Regulatory Capital Ratios

The FCA sets minimum regulatory capital adequacy requirements for System banks and associations. The requirements are determined by regulatory ratios as defined by the FCA.

AgFirst's regulatory ratios are shown in the following table:

	Regulatory Minimum, Including Buffer*	3/31/23	12/31/22	3/31/22
Permanent Capital Ratio	7.00%	14.19%	15.34%	15.46%
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	14.15%	15.32%	15.21%
Tier 1 Capital Ratio	8.50%	14.15%	15.32%	15.43%
Total Regulatory Capital Ratio	10.50%	14.41%	15.46%	15.58%
Tier 1 Leverage Ratio**	5.00%	5.72%	6.09%	5.86%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	4.71%	5.37%	5.00%

** Includes full capital conservation buffers.*
*** The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE Equivalents.*

The permanent capital, CET1 capital, tier 1 capital, and total capital ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by the three-month average daily balance of a risk-adjusted asset base. Risk-adjusted assets refer to the total dollar amount of the institution's assets adjusted by an appropriate credit conversion factor as defined by regulation. Generally, higher credit conversion factors are applied to assets with more inherent risk. The tier 1 leverage ratio and URE and URE equivalents component of the tier 1 leverage ratio do not incorporate any risk-adjusted weighting of assets. These ratios are calculated by dividing the three-month average daily balance of the capital numerator, as defined by the FCA, by the three-month average daily balance of total assets adjusted for regulatory deductions.

For all periods presented, AgFirst exceeded minimum regulatory requirements for all of the ratios. The Bank's capital ratios were lower at March 31, 2023 compared to December 31, 2022 due primarily to the declaration of 2022 cash patronage of $212.9 million on December 31, 2022, which represented 51.67 percent of 2022 net income. Additionally, the increase in total assets and risk-weighted assets contributed to the decrease when comparing to both December 31, 2022 and March 31, 2022.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2023, was $70.3 million compared to $112.7 million for the three months ended March 31, 2022, a decrease of $42.4 million, or 37.63 percent. See below for further discussion of the change in net income by major components.

Key Results of Operations Comparisons

	Annualized for the Three Months Ended March 31, 2023	For the Year Ended December 31, 2022	Annualized for the Three Months Ended March 31, 2022
Return on average assets	0.68 %	1.02 %	1.18 %
Return on average shareholders' equity	18.46 %	21.32 %	20.17 %
Net interest margin	1.28 %	1.53 %	1.66 %
Operating expense as a percentage of net interest income and noninterest income	41.20 %	35.36 %	30.93 %
Net (charge-offs) recoveries to average loans	(0.06)%	(0.01)%	(0.01)%

The annualized return on average assets, net interest margin, and operating expense as a percentage of net interest income and noninterest income were all negatively impacted by lower net interest spread (i.e., the difference between the yield on earning assets and the cost of interest-bearing liabilities) for the first three months of 2023 compared to the same period in 2022 and to the year ended December 31, 2022, as discussed in the *Net Interest Income* section, below. For the operating expense as a percentage of net interest income and noninterest income ratio, operating expense consists of noninterest expenses excluding losses (gains) from other property owned. This ratio was negatively impacted by higher other operating expense discussed in the *Noninterest Expenses* section below.

Net (charge-offs) recoveries were minimal for all periods presented.

See *Allowance for Credit Losses*, *Net Interest Income*, *Noninterest Income*, and *Noninterest Expenses* sections for further discussion.

Net Interest Income

Net interest income for the three months ended March 31, 2023, was $131.2 million compared to $155.9 million for the same period of 2022, a decrease of $24.7 million, or 15.84 percent. The net interest margin, which is net interest income as a percentage of average earning assets, was 1.28 percent, for the three months ended March 31, 2023, a decrease of 38 basis points compared to the same period in the prior year.

A significant volume of the Bank'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 any debt securities that result in cost savings. This temporarily increases net interest margin. The decline of net interest margin is due, in part, to net interest margin returning toward a normal level following the decline in rates in early 2020.

Additionally, effective January 1, 2023, the Bank and Associations amended the repayment structure of the Direct Notes to decrease market value of equity sensitivity of the Bank and increase the market value of equity sensitivity of Associations. The restructuring resulted in a decline in Direct Note interest income of approximately 10 basis points (i.e., a decrease in interest income for the Bank and a corresponding decrease in interest expense for Associations).

The effects of changes in volume and interest rates on net interest income for the three months ended March 31, 2023, as compared with the corresponding period 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 March 31, 2023 vs. March 31, 2022		
	Increase (decrease) due to changes in:		
(dollars in thousands)	**Volume**	**Rate**	**Total**
Interest Income:			
Loans	$ 32,995	$ 96,398	$ 129,393
Investments & Cash Equivalents	(1,758)	39,481	37,723
Other	3,163	1,118	4,281
Total Interest Income	34,400	136,997	171,397
Interest Expense:			
Interest-Bearing Liabilities	26,052	170,047	196,099
Changes in Net Interest Income	$ 8,348	$ (33,050)	$ (24,702)

Provision for Credit losses

AgFirst measures risks inherent in its loan portfolio on an ongoing basis and, as necessary, recognizes provision for credit losses so that appropriate reserves are maintained. Provision for credit loss, which includes the provision for loan loss and the provision for unfunded commitments, was a net expense of $15.4 million for the three months ended March 31, 2023 compared to a net expense of $1.3 million for the corresponding period in 2022.

Beginning in the first quarter of 2023, in conjunction with the adoption of CECL, the Bank reclassified the provision for unfunded commitments from noninterest income to the provision for credit loss on a prospective basis. During the first quarter, there was a provision reversal for unfunded commitments of $1.4 million.

For the three months ended March 31, 2023 the provision for loan losses included provision expense for individually evaluated credits of $14.0 million and provision expense of $2.8 million for loans collectively evaluated for credit loss. The increase in individually evaluated credit loss was primarily due to two relationships: one in the tree fruits and nuts segment ($10.5 million expense) and one in the utilities segment ($2.1 million expense). The expense for the collectively evaluated loans was primarily due to a $6.2 million expense related to the rural home loan segment as a result of forecasted residential mortgage housing price declines and downgrades to borrower credit. The impact of the requirement to estimate losses over the contractual life of the loan as part of the adoption of CECL can lead to larger volatility in provision expense when compared to the previous incurred loss model.

For the three months ended March 31, 2022, the provision for loan losses included provision expense for specific reserves of $919 thousand and provision expense for general reserves of $358 thousand. Total provision expense for the three months ended March 31, 2022 primarily related to provision expense for borrowers in the rural home loan ($1.1 million) segment.

See the *Allowance for Credit Losses* section above and Note 2, *Loans and Allowance for Credit Losses,* in the Notes to the Financial Statements for further information.

Noninterest Income

The following table illustrates the changes in noninterest income:

Change in Noninterest Income	**For the Three Months Ended March 31,**		
(dollars in thousands)	**2023**	**2022**	**Increase/ (Decrease)**
Loan fees	$ 3,502	$ 2,966	$ 536
Losses on debt extinguishment	(1,263)	—	(1,263)
Gains on other transactions	172	681	(509)
Patronage refunds from other Farm Credit institutions	9,821	2,375	7,446
Other noninterest income	2,301	3,068	(767)
Total noninterest income	$ 14,533	$ 9,090	$ 5,443

For the three months ended March 31, 2023 compared to the corresponding period in 2022, noninterest income increased $5.4 million. Line-item dollar variances greater than $2.0 million are discussed below.

For the three months ended March 31, 2023 patronage refunds from other Farm Credit institutions increased $7.4 million compared to the corresponding period in 2022. $4.8 million of this increase is due to a change from accrual basis to cash basis accounting for patronage associated with certain participation relationships in which the Bank serves as intermediary between the buying and selling associations. This change resulted in the patronage income being recorded in the first quarter of 2023 whereas, under the former accrual methodology, it would have been accrued in the preceding year.

Noninterest Expenses

The following table illustrates the changes in noninterest expenses:

Change in Noninterest Expenses	**For the Three Months Ended March 31,**		
(dollars in thousands)	**2023**	**2022**	**Increase/ (Decrease)**
Salaries and employee benefits	$ 22,843	$ 18,873	$ 3,970
Occupancy and equipment	1,683	1,856	(173)
Insurance Fund premiums	6,701	4,963	1,738
Purchased services	13,034	13,097	(63)
Data processing	10,017	6,968	3,049
Other operating expenses	5,769	5,283	486
Total noninterest expenses	$ 60,047	$ 51,040	$ 9,007

Noninterest expenses for the three months ended March 31, 2023, increased $9.0 million compared to the corresponding period in 2022. Line-item dollar variances greater than $2.0 million are discussed below.

Salaries and employee benefits increased $4.0 million for the three months ended March 31, 2023 when compared to the same period in 2022. The increase is primarily attributed to an increase in headcount and normal salary administration.

As a result of significant technology initiatives, data processing expenses increased $3.0 million for the three months ended March 31, 2023 compared to the same period in 2022. The increase resulted primarily from higher software and hardware depreciation and maintenance costs as a result of new systems purchased as part of the technology modernization initiatives. The Bank operates as the centralized service provider for the District Associations which results in costs incurred at the Bank that are expected to be offset through efficiencies gained at District Associations.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Financial Statements, and the 2022 Annual Report of AgFirst Farm Credit Bank for recently adopted accounting pronouncements. There are no recently issued accounting pronouncements that have yet to be adopted that are expected to have a material impact to the Bank's Financial Statements.

REGULATORY MATTERS

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 include an exclusion for the CECL day 1 cumulative effective adjustment from the "safe harbor" deemed prior approval provision. 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.

NOTE: Shareholder investment in a District Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, Controller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Combined information concerning AgFirst Farm Credit Bank and District Associations can also be obtained at the Bank's website, *www.agfirst.com*. AgFirst prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no quarterly report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Balance Sheets

(dollars in thousands)	March 31, 2023	December 31, 2022
	(unaudited)	*(audited)*
Assets		
Cash	**$ 722,387**	$ 746,392
Cash equivalents	**450,000**	350,000
Investments in debt securities:		
Available-for-sale (amortized cost of $9,794,831 and $10,055,933, respectively)	**8,914,295**	9,061,750
Held-to-maturity (fair value of $13,110 and $13,500, respectively)	**13,335**	14,058
Total investments in debt securities	**8,927,630**	9,075,808
Loans	**32,061,151**	31,468,732
Allowance for loan losses	**(50,635)**	(26,070)
Net loans	**32,010,516**	31,442,662
Loans held for sale	**946**	—
Accrued interest receivable	**129,839**	125,349
Accounts receivable	**129,292**	89,980
Equity investments in other Farm Credit institutions	**88,082**	88,081
Premises and equipment, net	**137,775**	122,578
Other assets	**37,910**	31,870
Total assets	**$ 42,634,377**	$ 42,072,720
Liabilities		
Systemwide bonds payable	**$ 35,330,080**	$ 35,233,552
Systemwide notes payable	**5,428,224**	4,906,369
Accrued interest payable	**181,620**	137,220
Accounts payable	**35,261**	298,139
Other liabilities	**39,758**	45,821
Total liabilities	**41,014,943**	40,621,101
Commitments and contingencies (Note 8)		
Shareholders' Equity		
Capital stock and participation certificates	**300,539**	300,539
Additional paid-in-capital	**63,668**	63,668
Retained earnings		
Allocated	**123,413**	123,413
Unallocated	**2,012,060**	1,957,897
Accumulated other comprehensive loss	**(880,246)**	(993,898)
Total shareholders' equity	**1,619,434**	1,451,619
Total liabilities and equity	**$ 42,634,377**	$ 42,072,720

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

Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2023	2022
Interest Income		
Investments	**$ 74,185**	$ 36,462
Loans	**311,280**	181,887
Other	**4,313**	32
Total interest income	**389,778**	218,381
Interest Expense	**258,553**	62,454
Net interest income	**131,225**	155,927
Provision for credit losses	**15,416**	1,277
Net interest income after provision for credit losses	**115,809**	154,650
Noninterest Income		
Loan fees	**3,502**	2,966
Losses on debt extinguishment	**(1,263)**	—
Gains on other transactions	**172**	681
Patronage refunds from other Farm Credit institutions	**9,821**	2,375
Other noninterest income	**2,301**	3,068
Total noninterest income	**14,533**	9,090
Noninterest Expenses		
Salaries and employee benefits	**22,843**	18,873
Occupancy and equipment	**1,683**	1,856
Insurance Fund premiums	**6,701**	4,963
Purchased services	**13,034**	13,097
Data processing	**10,017**	6,968
Other operating expenses	**5,769**	5,283
Total noninterest expenses	**60,047**	51,040
Net income	**$ 70,295**	$ 112,700
Other comprehensive income (loss):		
Unrealized gains (losses) on investments	**113,647**	(381,384)
Change in value of cash flow hedges	**—**	(9)
Employee benefit plans adjustments	**5**	175
Other comprehensive income (loss) (Note 5)	**113,652**	(381,218)
Comprehensive income (loss)	**$ 183,947**	$ (268,518)

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

Statements of Changes in Shareholders' Equity

(unaudited)

(dollars in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Additional Paid-In-Capital	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
				Allocated	Unallocated		
Balance at December 31, 2021	$ 32,500	$ 299,131	$ 63,673	$ 416	$ 1,888,462	$ 18,598	$ 2,302,780
Comprehensive income (loss)					112,700	(381,218)	(268,518)
Dividends paid on perpetual preferred stock					(108)		(108)
Patronage distribution adjustment					51		51
Balance at March 31, 2022	$ 32,500	$ 299,131	$ 63,673	$ 416	$ 2,001,105	$ (362,620)	$ 2,034,205
Balance at December 31, 2022	$ —	$ 300,539	$ 63,668	$ 123,413	$ 1,957,897	$ (993,898)	$ 1,451,619
Cumulative effect of a change in accounting principle					**(15,654)**		**(15,654)**
Comprehensive income					**70,295**	**113,652**	**183,947**
Patronage distribution adjustment					**(478)**		**(478)**
Balance at March 31, 2023	**$ —**	**$ 300,539**	**$ 63,668**	**$ 123,413**	**$ 2,012,060**	**$ (880,246)**	**$ 1,619,434**

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

Statements of Cash Flows

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2023	2022
Cash flows from operating activities:		
Net income	**$ 70,295**	**$ 112,700**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation on premises and equipment	**4,586**	**3,618**
Amortization of net deferred loan (fees) costs and (discount accretion) premium amortization	**(1,286)**	**751**
Premium amortization on investment securities	**232**	**3,306**
Discount accretion on bonds and notes	**49,943**	**4,944**
Provision for credit losses	**15,416**	**1,277**
Losses on debt extinguishment	**1,263**	**—**
Losses on other transactions	**(172)**	**(681)**
Net change in loans held for sale	**(975)**	**—**
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	**(4,490)**	**(1,451)**
Increase in accounts receivable	**(39,312)**	**(81,546)**
Increase in accrued interest payable	**44,400**	**16,326**
Decrease in accounts payable	**(50,004)**	**(31,959)**
Change in other, net	**(14,054)**	**(8,468)**
Total adjustments	**5,547**	**(93,883)**
Net cash provided by operating activities	**75,842**	**18,817**
Cash flows from investing activities:		
Investment securities purchased	**(97,642)**	(1,047,890)
Proceeds from maturities and prepayments of investment securities	**359,235**	844,673
Net increase in loans	**(595,500)**	(106,973)
Increase in equity investments in other Farm Credit System institutions	**(1)**	(435)
Net increase in premises and equipment	**(19,781)**	(13,566)
Proceeds from sale of premises and equipment	**17**	31
Net cash used in investing activities	**(353,672)**	(324,160)
Cash flows from financing activities:		
Bonds and notes issued	**5,674,177**	5,025,595
Bonds and notes retired	**(5,107,000)**	(4,468,000)
Distribution to shareholders	**(213,352)**	(461,033)
Dividends paid on perpetual preferred stock	**—**	(108)
Net cash provided by financing activities	**353,825**	96,454
Net increase (decrease) in cash and cash equivalents	**75,995**	(208,889)
Cash and cash equivalents, beginning of period	**1,096,392**	1,025,288
Cash and cash equivalents, end of period	**$ 1,172,387**	$ 816,399
Supplemental schedule of non-cash activities:		
Change in unrealized losses on investments, net	**$ 113,647**	$ (381,384)
Cumulative effect of a change in accounting principle	**(15,654)**	—
Employee benefit plans adjustments	**(5)**	(175)
Supplemental information:		
Interest paid	**$ 164,210**	$ 41,184

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

Notes to the Financial Statements

(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization

The accompanying financial statements include the accounts of AgFirst Farm Credit Bank (AgFirst or Bank). AgFirst and its related Agricultural Credit Associations (Associations or District Associations) are collectively referred to as the AgFirst District (District). A complete description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations of the Bank as of and for the year ended December 31, 2022 are contained in the 2022 Annual Report to Shareholders. These unaudited interim financial statements should be read in conjunction with the latest Annual Report to Shareholders.

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 these two Associations were $2.5 billion as of March 31, 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 these two Associations were $4.1 billion as of March 31, 2023.

The merger activities listed above have not and are not expected to have a material impact on the Bank's Balance Sheet and Results of Operations.

Basis of Presentation

In the opinion of management, the accompanying financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies

The Bank's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for credit losses (Note 2, *Loans and Allowance for Credit Losses*), investment securities (Note 3, *Investments*), and financial instruments (Note 6, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Accounting Standards Effective During the Period

The Bank adopted the Financial Accounting Standards Board (FASB) guidance entitled "Measurement of Credit Losses on Financial Instruments" and other subsequently issued accounting standards updates related to credit losses

on January 1, 2023. This guidance replaced the previous incurred loss impairment methodology with a single allowance framework for financial assets that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. This guidance is applied on a modified retrospective basis. This framework requires management to consider in its estimate of the allowance for credit losses (ACL) relevant historical events, current conditions and reasonable and supportable forecasts that consider macroeconomic conditions. In addition, the guidance amends existing impairment guidance for held-to-maturity and available-for-sale investments to incorporate an allowance for credit losses related to these securities, which will allow for the reversal of credit impairments in the event that the credit of an issuer improves.

Also adopted effective January 1, 2023, was the updated guidance entitled "Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosure." This guidance requires the creditor to determine whether a modification results in a new loan or a continuation of an existing loan, among other disclosures specific to modifications with borrowers that are experiencing financial difficulties. The update eliminated the accounting guidance for troubled debt restructurings by creditors. The update also requires disclosure of current period gross write-offs by year of origination for financing receivables and net investments in leases on a prospective basis.

The following table presents the impact to the allowance for credit losses and retained earnings upon adoption of this guidance on January 1, 2023:

(dollars in thousands)	December 31, 2022	CECL Adoption Impact	January 1, 2023
Assets:			
Allowance for loan losses	$ 26,070	$ 12,162	$ 38,232
Liabilities:			
Allowance for credit losses on unfunded commitments	$ 1,497	$ 3,492	$ 4,989
Retained Earnings:			
Unallocated retained earnings	$ 1,957,897	$ (15,654)	$ 1,942,243

Investments
Upon adoption of the CECL guidance, investments held-to-maturity are presented net of an allowance for credit losses on investments, if any. The guidance also amended the previous other-than-temporary impairment (OTTI) model for investments available-for-sale to incorporate an allowance for credit losses.

After consideration of the new guidance, the Bank determined that no allowance for credit losses on investments was necessary. The Bank will continue to evaluate the need for an allowance for credit losses on investments on an ongoing basis.

Loans and Allowance for Credit Losses
Loans are recorded at amortized cost basis, which is the principal amount outstanding adjusted for charge-offs, deferred loan fees or costs, and valuation adjustments relating to hedging activities, if any. Loan origination fees and direct loan origination costs are netted and capitalized, and the net fee or cost is amortized over the average life of the related loan as an adjustment to interest income. Loan prepayment fees are reported in interest income. Interest on loans is accrued and credited to interest income based on the daily principal amount outstanding.

Nonaccrual Loans
Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is modified or until the entire amount past due, including principal, accrued interest, and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

Consistent with prior practice, loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection), circumstances indicate that collection of principal and interest is in doubt or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. At the time a loan is placed in nonaccrual status, accrued interest that is considered uncollectible is reversed (if accrued in the current year) or

charged against the ACL (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

When loans are in nonaccrual status, interest payments received in cash are generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the recorded investment in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is fully expected to fulfill the contractual repayment terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable
The Bank adopted the practical expedient to classify accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the Balance Sheets. The Bank also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

Loan Modifications to Borrowers Experiencing Financial Difficulty
Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay or a term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Collateral Dependent Loans
Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment, and livestock. CECL requires an entity to measure the expected credit losses based on fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. Additionally, the Bank adopted the fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit loss is based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

Allowance for Credit Losses
Beginning January 1, 2023, the ACL represents the estimated current expected credit losses over the remaining contractual life of financial assets measured at amortized cost and certain off-balance sheet credit exposures. The ACL takes into consideration relevant information about past events, current conditions, and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

- the allowance for loan losses
- the allowance for unfunded commitments, which is presented on the Balance Sheets in Other Liabilities, and
- the allowance for credit losses on investment securities, which covers held-to-maturity and available-for-sale securities and is recognized within each investment securities classification on the Balance Sheets.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, considering macroeconomic conditions, forecasts and other factors prevailing at the time, may result in significant changes in the ACL in those future periods.

Methodology for Allowance for Loan Losses
The allowance for loan losses represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, discounts, and fair value hedge accounting adjustments.

The Bank employs a disciplined process and methodology to establish its allowance for loan losses that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics

with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with the Bank's appraisal policy, the fair value of collateral-dependent loans is based upon independent third-party appraisals or on collateral valuations prepared by in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed, or non-recoverable, the credit loss portion of the loan will be charged off against the ACL.

In estimating the component of the allowance for loan losses that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type, commodity, credit quality rating, delinquency category or business segment or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

The component of the allowance for loan losses also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to:

a. lending policies and procedures;
b. national, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
c. the nature of the loan portfolio, including the terms of the loans;
d. the experience, ability and depth of the lending management and other relevant staff;
e. the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
f. the quality of the loan review and process;
g. the value of underlying collateral for collateral-dependent loans;
h. the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
i. the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

The Bank's macroeconomic forecast includes a weighted selection of the Moody's baseline, upside 10th percent and downside 90th percent over reasonable and supportable forecast periods of three years. Subsequent to the forecast period of three years, the Bank reverts to long run historical loss experience over two years gradually after the determined forecast horizon using a transition function to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts incorporate macroeconomic variables, including unemployment rates, Dow Jones Total Stock Market Index, and corporate bond spreads. Also considered are loan and borrower characteristics, such as internal risk ratings, delinquency status, collateral type, and the remaining term of the loan, adjusted for expected prepayments.

In addition to the quantitative calculation, the Bank considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a management adjustment to the modeled allowance for loan loss results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral. The economic forecasts are updated on a quarterly basis.

Prior to January 1, 2023, the allowance for loan losses was maintained at a level considered adequate to provide for probable losses existing in and inherent in the loan portfolio. The allowance was based on a periodic evaluation of the loan portfolio in which numerous factors were considered, including economic conditions, collateral values, borrowers' financial conditions, loan portfolio composition and prior loan loss experience. The allowance for loan

losses encompassed various judgments, evaluations, and appraisals with respect to the loans and their underlying collateral that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity would cause these various judgments, evaluations, and appraisals to change over time. Management considered a number of factors in determining and supporting the levels of the allowance for loan losses, which included, but were not limited to, the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences.

Allowance for Credit Losses on Unfunded Commitments
The Bank evaluates the need for an allowance for credit losses on unfunded commitments under CECL and, if required, an amount is recognized and included in Other Liabilities on the Balance Sheets. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Bank and applying the loss factors used in the allowance for loan losses methodology to the results of the usage calculation. No allowance for credit losses is recorded for commitments that are unconditionally cancellable.

Note 2 — Loans and Allowance for Credit Losses

A summary of loans outstanding at period end follows:

(dollars in thousands)	March 31, 2023	December 31, 2022
Direct Notes	$ 21,152,321	$ 21,217,281
Real estate mortgage	1,175,596	1,163,090
Production and intermediate-term	1,248,821	1,245,308
Agribusiness:		
Loans to cooperatives	656,714	574,334
Processing and marketing	2,135,015	1,932,474
Farm-related business	116,501	127,789
Rural infrastructure:		
Communication	724,484	680,224
Power and water/waste disposal	1,487,118	1,208,373
Rural residential real estate	3,069,057	3,044,026
Other:		
International	128,104	104,238
Lease receivables	393	388
Loans to other financing institutions (OFIs)	162,077	166,260
Other (including Mission Related)	4,950	4,947
Total loans	$ 32,061,151	$ 31,468,732

A substantial portion of the Bank's loan portfolio consists of notes receivable from District Associations (Direct Notes). These notes are used by the Associations to fund their loan portfolios, which collateralize the notes. Therefore, the Bank's concentration of credit risk in various agricultural commodities associated with these notes approximates that of the District as a whole. Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers engaged in similar activities, which would cause them to be similarly impacted by economic or other conditions. A substantial portion of the Associations' lending activities is collateralized, and their exposure to credit loss associated with lending activities is reduced accordingly. The risk funds of an Association, including both capital and the allowance for credit losses, also protect the interest of the Bank.

The Bank may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. During the first three months of 2023, the Bank purchased $106.6 million of residential mortgage loans from various Farm Credit System (System) associations and sold $20.6 million from the portfolio. These amounts are not included in the table below. The following tables present the principal balance of participation loans at periods ended:

	March 31, 2023							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
(dollars in thousands)	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Direct Notes	$ —	$ —	$ —	$ 1,397,020	$ —	$ —	$ —	$ 1,397,020
Real estate mortgage	1,244,082	229,265	375,422	324,169	8,694	—	1,628,198	553,434
Production and intermediate-term	1,619,040	493,695	894,031	992,369	221,628	—	2,734,699	1,486,064
Agribusiness	801,058	897,306	1,745,352	532,283	1,795,870	—	4,342,280	1,429,589
Rural infrastructure	—	444,265	2,660,727	—	—	—	2,660,727	444,265
Other	4,989	91,358	220,036	—	—	—	225,025	91,358
Total	$ 3,669,169	$ 2,155,889	$ 5,895,568	$ 3,245,841	$ 2,026,192	$ —	$ 11,590,929	$ 5,401,730

	December 31, 2022							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
(dollars in thousands)	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Direct Notes	$ —	$ —	$ —	$ 1,329,542	$ —	$ —	$ —	$ 1,329,542
Real estate mortgage	1,230,458	233,348	375,125	309,796	8,786	12,187	1,614,369	555,331
Production and intermediate-term	1,739,496	440,755	785,499	1,032,498	212,096	16,625	2,737,091	1,489,878
Agribusiness	631,434	823,410	1,598,574	511,726	1,744,876	—	3,974,884	1,335,136
Rural infrastructure	—	319,804	2,212,262	—	—	—	2,212,262	319,804
Other	4,989	57,322	162,160	—	—	—	167,149	57,322
Total	$ 3,606,377	$ 1,874,639	$ 5,133,620	$ 3,183,562	$ 1,965,758	$ 28,812	$ 10,705,755	$ 5,087,013

Loan 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 at March 31, 2023:

	Term Loans Amortized Cost by Origination Year							
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Direct Notes								
Acceptable	$ —	$ —	$ —	$ —	$ —	$ —	$ 21,034,631	$ 21,034,631
OAEM	—	—	—	—	—	—	117,690	117,690
Substandard/Doubtful/Loss	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 21,152,321	$ 21,152,321
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real estate mortgage								
Acceptable	$ 25,986	$ 196,623	$ 269,322	$ 111,006	$ 117,582	$ 385,288	$ 54,923	$ 1,160,730
OAEM	—	227	304	—	—	11,411	1	11,943
Substandard/Doubtful/Loss	—	2,871	—	—	—	52	—	2,923
Total	$ 25,986	$ 199,721	$ 269,626	$ 111,006	$ 117,582	$ 396,751	$ 54,924	$ 1,175,596
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Production and intermediate term								
Acceptable	$ 25,021	$ 231,380	$ 92,862	$ 75,218	$ 61,777	$ 170,509	$ 544,132	$ 1,200,899
OAEM	—	268	58	394	34	1,085	14,844	16,683
Substandard/Doubtful/Loss	—	8,869	—	—	18,904	—	3,466	31,239
Total	$ 25,021	$ 240,517	$ 92,920	$ 75,612	$ 80,715	$ 171,594	$ 562,442	$ 1,248,821
Current period gross charge-offs	$ —	$ 2,967	$ —	$ —	$ —	$ —	$ 1,309	$ 4,276
Agribusiness								
Acceptable	$ 106,430	$ 509,081	$ 391,566	$ 114,139	$ 182,934	$ 446,852	$ 1,111,026	$ 2,862,028
OAEM	—	2,207	2,629	11,398	3,841	—	6,366	26,441
Substandard/Doubtful/Loss	—	—	—	10,827	287	—	8,647	19,761
Total	$ 106,430	$ 511,288	$ 394,195	$ 136,364	$ 187,062	$ 446,852	$ 1,126,039	$ 2,908,230
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Rural infrastructure								
Acceptable	$ 408,699	$ 542,872	$ 382,164	$ 268,542	$ 155,621	$ 295,103	$ 152,613	$ 2,205,614
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	—	2,966	—	—	2,815	—	207	5,988
Total	$ 408,699	$ 545,838	$ 382,164	$ 268,542	$ 158,436	$ 295,103	$ 152,820	$ 2,211,602
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Rural residential real estate								
Acceptable	$ 94,577	$ 618,539	$ 527,855	$ 354,085	$ 230,460	$ 1,228,748	$ —	$ 3,054,264
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	—	553	712	173	2,025	11,330	—	14,793
Total	$ 94,577	$ 619,092	$ 528,567	$ 354,258	$ 232,485	$ 1,240,078	$ —	$ 3,069,057
Current period gross charge-offs	$ —	$ —	$ 14	$ —	$ —	$ 78	$ —	$ 92
Other								
Acceptable	$ —	$ 16,882	$ 16,698	$ —	$ 5,657	$ 72,691	$ 183,596	$ 295,524
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	—	—	—	—	—	—	—	—
Total	$ —	$ 16,882	$ 16,698	$ —	$ 5,657	$ 72,691	$ 183,596	$ 295,524
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total Loans								
Acceptable	$ 660,713	$ 2,115,377	$ 1,680,467	$ 922,990	$ 754,031	$ 2,599,191	$ 23,080,921	$ 31,813,690
OAEM	—	2,702	2,991	11,792	3,875	12,496	138,901	172,757
Substandard/Doubtful/Loss	—	15,259	712	11,000	24,031	11,382	12,320	74,704
Total	$ 660,713	$ 2,133,338	$ 1,684,170	$ 945,782	$ 781,937	$ 2,623,069	$ 23,232,142	$ 32,061,151
Current period gross charge-offs	$ —	$ 2,967	$ 14	$ —	$ —	$ 78	$ 1,309	$ 4,368

The following table shows loans, including accrued interest under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of December 31, 2022, prior to the adoption of CECL:

	December 31, 2022							
(dollars in thousands)	**Direct Notes**	**Real estate mortgage**	**Production and intermediate-term**	**Agribusiness**	**Rural infrastructure**	**Rural residential real estate**	**Other**	**Total**
Acceptable	$ 21,274,539	$ 1,156,016	$ 1,197,236	$ 2,585,812	$ 1,887,320	$ 3,035,212	$ 277,266	$ 31,413,401
OAEM	—	12,729	16,640	28,043	—	—	—	57,412
Substandard/Doubtful/Loss	—	2,984	37,576	31,028	5,870	15,554	—	93,012
Total	$ 21,274,539	$ 1,171,729	$ 1,251,452	$ 2,644,883	$ 1,893,190	$ 3,050,766	$ 277,266	$ 31,563,825

Accrued interest receivable on loans of $100.8 million and $95.1 million at March 31, 2023 and December 31, 2022, respectively, have been excluded from the amortized cost of loans and reported separately in the Balance Sheets.

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment as of:

	March 31, 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**
Direct Notes	$ —	$ —	$ —	$ 21,152,321	$ 21,152,321	$ —
Real estate mortgage	2,155	306	2,461	1,173,135	1,175,596	86
Production and intermediate-term	—	3,912	3,912	1,244,909	1,248,821	—
Agribusiness	—	—	—	2,908,230	2,908,230	—
Rural infrastructure	—	—	—	2,211,602	2,211,602	—
Rural residential real estate	31,123	7,149	38,272	3,030,785	3,069,057	1,900
Other	—	—	—	295,524	295,524	—
Total	$ 33,278	$ 11,367	$ 44,645	$ 32,016,506	$ 32,061,151	$ 1,986

Prior to the adoption of CECL, 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**
Direct Notes	$ —	$ —	$ —	$ 21,274,539	$ 21,274,539	$ —
Real estate mortgage	2,156	90	2,246	1,169,483	1,171,729	—
Production and intermediate-term	8,129	3,912	12,041	1,239,411	1,251,452	—
Agribusiness	—	—	—	2,644,883	2,644,883	—
Rural infrastructure	—	—	—	1,893,190	1,893,190	—
Rural residential real estate	39,066	9,958	49,024	3,001,742	3,050,766	1,586
Other	—	—	—	277,266	277,266	—
Total	$ 49,351	$ 13,960	$ 63,311	$ 31,500,514	$ 31,563,825	$ 1,586

The following table reflects nonperforming assets and related credit quality statistics:

(dollars in thousands)		**March 31, 2023**
Nonaccrual loans:		
Real estate mortgage	$	3,328
Production and intermediate-term		29,083
Rural infrastructure		5,988
Rural residential real estate		17,314
Total	$	55,713
Accruing loans 90 days or more past due:		
Real estate mortgage	$	86
Rural residential real estate		1,900
Total	$	1,986
Total nonperforming loans		57,699
Other property owned		—
Total nonperforming assets	$	57,699
Nonaccrual loans as a percentage of total loans		0.18 %
Nonperforming assets as a percentage of total loans and other property owned		0.18 %
Nonperforming assets as a percentage of capital		3.56 %

Prior to the adoption of CECL on January 1, 2023, nonperforming loans were included with accrued interest and included accruing restructured loans as shown in the following table:

(dollars in thousands)		**December 31, 2022**
Nonaccrual loans:		
Real estate mortgage	$	3,390
Production and intermediate-term		13,552
Rural infrastructure		2,966
Rural residential real estate		17,210
Total	$	37,118
Accruing restructured loans:		
Real estate mortgage	$	572
Production and intermediate-term		828
Agribusiness		10,828
Rural residential real estate		27,611
Other		3,547
Total	$	43,386
Accruing loans 90 days or more past due:		
Rural residential real estate	$	1,586
Total	$	1,586
Total nonperforming loans	$	82,090
Other property owned		—
Total nonperforming assets	$	82,090
Nonaccrual loans as a percentage of total loans		0.12 %
Nonperforming assets as a percentage of total loans and other property owned		0.26 %
Nonperforming assets as a percentage of capital		5.66 %

The following table provides the amortized cost for nonaccrual loans with and without a related allowance for loan losses, as well as interest income recognized on nonaccrual loans during the period:

	March 31, 2023			Interest Income Recognized
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended March 31, 2023
Real estate mortgage	$ —	$ 3,328	$ 3,328	$ 4
Production and intermediate-term	20,233	8,850	29,083	14
Agribusiness	5,988	—	5,988	—
Rural residential real estate	993	16,321	17,314	201
Total	$ 27,214	$ 28,499	$ 55,713	$ 219

Effective January 1, 2023, the System adopted the CECL accounting guidance as described in Note 1. A summary of changes in the allowance for credit losses by portfolio segment is as follows:

(dollars in thousands)	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Allowance for loan losses:							
Balance at December 31, 2022	$ 1,421	$ 6,757	$ 8,212	$ 2,945	$ 6,194	$ 541	$ 26,070
Cumulative effect of a change in accounting principle	51	(1,308)	1,135	(403)	13,180	(493)	12,162
Balance at January 1, 2023	$ 1,472	$ 5,449	$ 9,347	$ 2,542	$ 19,374	$ 48	$ 38,232
Charge-offs	—	(4,276)	—	—	(92)	—	(4,368)
Recoveries	—	—	—	—	—	—	—
Provision for loan losses	182	11,003	(2,386)	1,722	6,203	47	16,771
Balance at March 31, 2023	$ 1,654	$ 12,176	$ 6,961	$ 4,264	$ 25,485	$ 95	$ 50,635
Allowance for unfunded commitments:							
Balance at December 31, 2022	$ —	$ 128	$ 1,338	$ 31	$ —	$ —	$ 1,497
Cumulative effect of a change in accounting principle	28	654	2,365	404	—	41	3,492
Balance at January 1, 2023	$ 28	$ 782	$ 3,703	$ 435	$ —	$ 41	$ 4,989
Provision for unfunded commitments	(7)	(37)	(1,220)	(89)	—	(2)	(1,355)
Balance at March 31, 2023	$ 21	$ 745	$ 2,483	$ 346	$ —	$ 39	$ 3,634
Total allowance for credit losses	**$ 1,675**	**$ 12,921**	**$ 9,444**	**$ 4,610**	**$ 25,485**	**$ 134**	**$ 54,269**
Allowance for loan losses*:							
Balance at December 31, 2021	$ 1,513	$ 3,583	$ 5,532	$ 3,848	$ 5,149	$ 522	$ 20,147
Charge-offs	—	—	—	—	(814)	—	(814)
Recoveries	—	—	—	—	113	—	113
Provision for loan losses	5	(77)	424	(152)	1,108	(31)	1,277
Balance at March 31, 2022	$ 1,518	$ 3,506	$ 5,956	$ 3,696	$ 5,556	$ 491	$ 20,723

**For periods prior to January 1, 2023, the allowance for loan losses was based on probable and estimable losses inherent in the loan portfolio.*

There was no allowance for credit loss for the Direct Note portfolio at March 31, 2023 or December 31, 2022.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one, or a combination of, principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions. Modified loans to borrowers experiencing financial difficulty and activity on these loans were not

material during the three months ended March 31, 2023. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at March 31, 2023. There were no modifications to distressed borrowers that occurred during the previous three months and for which there was a subsequent payment default during the period.

Troubled Debt Restructurings

Prior to the adoption of CECL on January 1, 2023, a restructuring of a loan constituted a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program, were borrower-specific, and could include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. When a restructured loan constituted a TDR, these loans were included within impaired loans under nonaccrual or accruing restructured loans.

The following table presents additional information regarding troubled debt restructurings that occurred during the period:

(dollars in thousands)	Three Months Ended March 31, 2022				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Rural residential real estate	$ 7,483	$ —	$ —	$ 7,483	
Total	$ 7,483	$ —	$ —	$ 7,483	
Post-modification:					
Rural residential real estate	$ 8,266	$ —	$ —	$ 8,266	$ 812
Total	$ 8,266	$ —	$ —	$ 8,266	$ 812

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

(dollars in thousands)	**Three Months Ended March 31, 2022**
Defaulted troubled debt restructurings:	
Rural residential real estate	$ 1,094
Total	$ 1,094

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table:

	Total TDRs	**Nonaccrual TDRs**
(dollars in thousands)	**December 31, 2022**	**December 31, 2022**
Real estate mortgage	$ 1,000	$ 428
Production and intermediate-term	6,172	5,344
Agribusiness	10,828	—
Rural residential real estate	32,271	4,660
Other (including Mission Related)	3,547	—
Total	$ 53,818	$ 10,432
Additional commitments to lend	$ —	

Note 3 — Investments

Equity Investments in Other Farm Credit System Institutions

Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by

the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Investments in Debt Securities

The Bank's investments in debt securities consist primarily of mortgage-backed securities (MBSs) collateralized by U.S. government or U.S. agency guaranteed residential and commercial mortgages (agency securities). Also included are asset-backed securities (ABSs) which are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held to maintain a liquidity reserve, manage short-term surplus funds, and manage interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

Non-agency ABSs are included in available-for-sale investments. These securities must meet the applicable FCA regulatory guidelines which require them to be high quality, senior class, and rated in the top category (AAA/Aaa) by Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. To achieve these ratings, the securities may have a guarantee of timely payment of principal and interest, credit enhancements achieved through over-collateralization or other means, priority of payments for senior classes over junior classes, or bond insurance. All of the non-agency securities owned have one or more credit enhancement features.

Held-to-maturity investments in debt securities consist primarily of Mission Related Investments (MRIs) acquired primarily under the Rural America Bond (RAB) pilot programs. RABs are private placement securities, which generally have some form of credit enhancement.

An agreement with a commercial bank requires AgFirst to maintain $50.0 million as a compensating balance. At March 31, 2023, the Bank held $40.7 million in U.S. Treasury securities for that purpose. The remainder of the compensating balance was held in cash in a demand deposit account. These securities are excluded when calculating the amount of eligible liquidity investments.

Available-for-sale

A summary of the amortized cost and fair value of debt securities held as available-for-sale investments at period end follows:

	March 31, 2023				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Treasury Securities	$ 140,804	$ 34	$ (1,633)	$ 139,205	3.81 %
U.S. Govt. Guaranteed	4,366,453	3,179	(444,833)	3,924,799	2.62
U.S. Govt. Agency Guaranteed	4,895,456	2,356	(435,052)	4,462,760	3.02
Non-Agency ABSs	392,118	14	(4,601)	387,531	4.10
Total	$ 9,794,831	$ 5,583	$ (886,119)	$ 8,914,295	2.89 %

	December 31, 2022				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Treasury Securities	$ 142,345	$ —	$ (2,629)	$ 139,716	0.57 %
U.S. Govt. Guaranteed	4,481,124	582	(502,233)	3,979,473	2.58
U.S. Govt. Agency Guaranteed	5,022,259	268	(484,982)	4,537,545	2.68
Non-Agency ABSs	410,205	25	(5,214)	405,016	3.96
Total	$ 10,055,933	$ 875	$ (995,058)	$ 9,061,750	2.66 %

Held-to-maturity

A summary of the amortized cost and fair value of debt securities held as held-to-maturity investments at period end follows:

	March 31, 2023				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Agency Guaranteed	$ 426	$ —	$ (7)	$ 419	5.90 %
RABs and Other	12,909	180	(398)	12,691	5.89
Total	$ 13,335	$ 180	$ (405)	$ 13,110	5.89 %

	December 31, 2022				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Agency Guaranteed	$ 436	$ —	$ (8)	$ 428	5.92 %
RABs and Other	13,622	56	(606)	13,072	5.90
Total	$ 14,058	$ 56	$ (614)	$ 13,500	5.90 %

A summary of the contractual maturity, estimated fair value and amortized cost of investment securities at March 31, 2023 follows:

Available-for-sale

	Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 5 Years Through 10 Years		Due After 10 Years		Total	
(dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
U.S. Govt. Treasury Securities	$ 98,509	4.75 %	$ 40,696	1.62 %	$ —	— %	$ —	— %	$ 139,205	3.81 %
U.S. Govt. Guaranteed	—	—	44,201	2.84	410,697	2.31	3,469,901	2.65	3,924,799	2.62
U.S. Govt. Agency Guaranteed	—	—	247,161	2.88	1,445,723	4.62	2,769,876	2.29	4,462,760	3.02
Non-Agency ABSs	—	—	387,531	4.10	—	—	—	—	387,531	4.10
Total fair value	$ 98,509	4.75 %	$ 719,589	3.45 %	$1,856,420	4.08 %	$6,239,777	2.49 %	$8,914,295	2.89 %
Total amortized cost	$ 98,475		$ 740,606		$1,913,409		$7,042,341		$9,794,831	

Held-to-maturity

	Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 5 Years Through 10 Years		Due After 10 Years		Total	
(dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
U.S. Govt. Agency Guaranteed	$ —	— %	$ —	— %	$ —	— %	$ 426	5.90 %	$ 426	5.90 %
RABs and Other	2,620	6.12	—	—	—	—	10,289	5.84	12,909	5.89
Total amortized cost	$ 2,620	6.12 %	$ —	— %	—	— %	$ 10,715	5.84 %	$ 13,335	5.89 %
Total fair value	$ 2,571		$ —		$ —		$ 10,539		$ 13,110	

A substantial portion of these investments has contractual maturities in excess of ten years. However, expected maturities for these types of securities will differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. The following tables show the fair value and gross unrealized losses for available-for-sale investments that have been in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

	March 31, 2023					
	Less Than 12 Months		12 Months Or Greater		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Govt. Treasury Securities	$ 14,709	$ (135)	$ 25,986	$ (1,498)	$ 40,695	$ (1,633)
U.S. Govt. Guaranteed	1,052,102	(39,229)	2,782,112	(405,604)	3,834,214	(444,833)
U.S. Govt. Agency Guaranteed	1,015,580	(12,384)	3,008,153	(422,668)	4,023,733	(435,052)
Non-Agency ABSs	351,896	(4,601)	—	—	351,896	(4,601)
Total	$ 2,434,287	$ (56,349)	$ 5,816,251	$ (829,770)	$ 8,250,538	$ (886,119)

Prior to the adoption of CECL on January 1, 2023, the following table included the fair value and gross unrealized loss of held-to-maturity investment securities as shown in the following table:

	December 31, 2022					
	Less Than 12 Months		12 Months Or Greater		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Govt. Treasury Securities	$ 14,575	$ (253)	$ 125,141	$ (2,376)	$ 139,716	$ (2,629)
U.S. Govt. Guaranteed	2,605,800	(228,069)	1,296,188	(274,164)	3,901,988	(502,233)
U.S. Govt. Agency Guaranteed	2,767,577	(152,133)	1,759,524	(332,857)	4,527,101	(484,990)
Non-Agency ABSs	364,991	(5,214)	—	—	364,991	(5,214)
RABs and Other	9,404	(606)	—	—	9,404	(606)
Total	$ 5,762,347	$ (386,275)	$ 3,180,853	$ (609,397)	$ 8,943,200	$ (995,672)

The Bank evaluates investment securities with unrealized losses for impairment on a quarterly basis. As part of this assessment, it was evaluated and concluded that the Bank does not intend to sell the security, or it is more likely than not that the Bank would be required to sell the security prior to recovery of the amortized cost basis. The Bank also evaluates whether credit impairment exists by comparing the present value of expected cash flows to the securities amortized cost basis. Credit impairment, if any, is recorded as an ACL for debt securities. At March 31, 2023, the Bank does not consider these unrealized losses to be credit-related and an allowance for credit losses is not necessary.

Note 4 — Debt

Bonds and Notes

AgFirst, unlike commercial banks and other depository institutions, obtains funds for its lending operations primarily from the sale of Systemwide Debt Securities issued jointly by the System banks through the Funding Corporation. Certain conditions must be met before AgFirst can participate in the issuance of Systemwide Debt Securities. As one condition of participation, AgFirst is required by the Farm Credit Act and FCA regulations to maintain specified eligible assets at least equal in value to the total amount of debt obligations outstanding for which it is primarily liable. This requirement does not provide holders of Systemwide Debt Securities with a security interest in any assets of the banks.

In accordance with FCA regulations, each issuance of Systemwide Debt Securities ranks equally with other unsecured Systemwide Debt Securities. Systemwide Debt Securities are not issued under an indenture and no trustee is provided with respect to these securities. Systemwide Debt Securities are not subject to acceleration prior to maturity upon the occurrence of any default or similar event.

The following table provides a summary of AgFirst's participation in outstanding Systemwide Debt Securities by maturity.

(dollars in thousands)	March 31, 2023					
	Bonds		**Discount Notes**		**Total**	
Maturities	**Amortized Cost**	**Weighted Average Interest Rate**	**Amortized Cost**	**Weighted Average Interest Rate**	**Amortized Cost**	**Weighted Average Interest Rate**
One year or less	$ 9,445,540	2.69 %	$ 5,428,224	4.35 %	$ 14,873,764	3.30 %
Greater than one year to two years	7,261,234	2.48	—	—	7,261,234	2.48
Greater than two years to three years	4,049,948	1.75	—	—	4,049,948	1.75
Greater than three years to four years	2,730,461	2.00	—	—	2,730,461	2.00
Greater than four years to five years	2,403,397	2.08	—	—	2,403,397	2.08
Greater than five years	9,439,500	2.81	—	—	9,439,500	2.81
Total	$ 35,330,080	2.48 %	$ 5,428,224	4.35 %	$ 40,758,304	2.73 %

Discount notes are issued with maturities of one year or less. The weighted average maturity of discount notes at March 31, 2023 was 112 days.

Note 5 — Shareholders' Equity

Accumulated Other Comprehensive Income

The following tables present the activity related to accumulated other comprehensive income (AOCI):

Changes in Accumulated Other Comprehensive Income by Component *(a)*

(dollars in thousands)	For the Three Months Ended March 31, 2023	2022
Investment Securities:		
Balance at beginning of period	$ (994,183)	$ 22,007
Other comprehensive income before reclassifications	113,647	(381,384)
Amounts reclassified from AOCI	—	—
Net current period other comprehensive income	113,647	(381,384)
Balance at end of period	$ (880,536)	$ (359,377)
Cash Flow Hedges:		
Balance at beginning of period	$ —	$ 201
Other comprehensive income before reclassifications	(16)	6
Amounts reclassified from AOCI	16	(15)
Net current period other comprehensive income	—	(9)
Balance at end of period	$ —	$ 192
Employee Benefit Plans:		
Balance at beginning of period	$ 285	$ (3,610)
Other comprehensive income before reclassifications	—	—
Amounts reclassified from AOCI	5	175
Net current period other comprehensive income	5	175
Balance at end of period	$ 290	$ (3,435)
Total Accumulated Other Comprehensive Income:		
Balance at beginning of period	$ (993,898)	$ 18,598
Other comprehensive income before reclassifications	113,631	(381,378)
Amounts reclassified from AOCI	21	160
Net current period other comprehensive income	113,652	(381,218)
Balance at end of period	$ (880,246)	$ (362,620)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*		
	For the Three Months Ended March 31,		
(dollars in thousands)	**2023**	**2022**	**Income Statement Line Item**
Investment Securities:			
Sales gains & losses	$ —	$ —	Gains (losses) on investments, net
Net amounts reclassified	—	—	
Cash Flow Hedges:			
Interest income	$ —	$ 9	Interest income on investment securities
Gains (losses) on other transactions	(16)	6	Gains (losses) on other transactions
Net amounts reclassified	(16)	15	
Employee Benefit Plans:			
Periodic pension costs	$ (5)	$ (175)	See Note 7.
Net amounts reclassified	(5)	(175)	
Total reclassifications for period	$ (21)	$ (160)	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

Note 6 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. Level 1 assets and liabilities could include investment securities and derivative contracts that are traded in an active exchange market, in addition to certain U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. Level 2 assets and liabilities could include investment securities that are traded in active, non-exchange markets and derivative contracts that are traded in active, over-the-counter markets.

Level 3 inputs are unobservable and supported by little or no market activity. Level 3 assets and liabilities could include investments and derivative contracts whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, and other instruments for which the determination of fair value requires significant management judgment or estimation. Level 3 assets and liabilities could also include investments and derivative contracts whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the most recent Annual Report to Shareholders.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

	March 31, 2023				
(dollars in thousands)	**Total Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Recurring Measurements					
Assets:					
Investments in debt securities available-for-sale:					
U.S. Govt. Treasury securities	$ 139,205	$ —	$ 139,205	$ —	$ 139,205
U.S. Govt. guaranteed	3,924,799	—	3,924,799	—	3,924,799
U.S. Govt. Agency guaranteed	4,462,760	—	4,462,760	—	4,462,760
Non-agency ABSs	387,531	—	387,531	—	387,531
Total investments in debt securities available-for-sale	8,914,295	—	8,914,295	—	8,914,295
Cash equivalents	450,000	—	450,000	—	450,000
Assets held in trust funds	16,243	16,243	—	—	16,243
Recurring Assets	$ 9,380,538	$ 16,243	$ 9,364,295	$ —	$ 9,380,538
Nonrecurring Measurements					
Assets:					
Loans	$ 13,204	$ —	$ —	$ 13,204	$ 13,204
Nonrecurring Assets	$ 13,204	$ —	$ —	$ 13,204	$ 13,204
Other Financial Instruments					
Assets:					
Cash	$ 722,387	$ 722,387	$ —	$ —	$ 722,387
Investments in debt securities held-to-maturity	13,335	—	419	12,691	13,110
Loans	31,997,312	—	—	28,903,173	28,903,173
Other Financial Assets	$ 32,733,034	$ 722,387	$ 419	$ 28,915,864	$ 29,638,670
Liabilities:					
Systemwide debt securities	$ 40,758,304	$ —	$ —	$ 38,810,735	$ 38,810,735
Other Financial Liabilities	$ 40,758,304	$ —	$ —	$ 38,810,735	$ 38,810,735

(dollars in thousands)	December 31, 2022 Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Investments in debt securities available-for-sale:					
U.S. Govt. Treasury securities	$ 139,716	$ —	$ 139,716	$ —	$ 139,716
U.S. Govt. guaranteed	3,979,473	—	3,979,473	—	3,979,473
U.S. Govt. agency guaranteed	4,537,545	—	4,537,545	—	4,537,545
Non-agency ABSs	405,016	—	405,016	—	405,016
Total investments in debt securities available-for-sale	9,061,750	—	9,061,750	—	9,061,750
Cash equivalents	350,000	—	350,000	—	350,000
Assets held in trust funds	16,896	16,896	—	—	16,896
Recurring Assets	$ 9,428,646	$ 16,896	$ 9,411,750	$ —	$ 9,428,646
Nonrecurring Measurements					
Assets:					
Loans	$ 34,161	$ —	$ —	$ 34,161	$ 34,161
Nonrecurring Assets	$ 34,161	$ —	$ —	$ 34,161	$ 34,161
Other Financial Instruments					
Assets:					
Cash	$ 746,392	$ 746,392	$ —	$ —	$ 746,392
Investments in debt securities held to maturity	14,058	—	428	13,072	13,500
Loans	31,408,501	—	—	28,008,871	28,008,871
Other Financial Assets	$ 32,168,951	$ 746,392	$ 428	$ 28,021,943	$ 28,768,763
Liabilities:					
Systemwide debt securities	$ 40,139,921	$ —	$ —	$ 37,649,443	$ 37,649,443
Other Financial Liabilities	$ 40,139,921	$ —	$ —	$ 37,649,443	$ 37,649,443

Uncertainty in Measurements of Fair Value

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables at the end of this Note 6. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Investments in Debt Securities

The fair values of predominantly all Level 3 investments in debt securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease). Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

Inputs to Valuation Techniques

Management determines the Bank's valuation policies and procedures. Internal valuation processes are calibrated annually by an independent consultant. Fair value measurements are analyzed on a periodic basis. Documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing.

Quoted market prices are generally not available for the instruments described in the table below. Accordingly, fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Information about Recurring and Nonrecurring Level 2 Fair Value Measurements

	Valuation Technique(s)	Input
Debt securities available-for-sale	Discounted cash flow	Constant prepayment rate
		Probability of default
		Loss severity
	Quoted prices	Price for similar security
	Vendor priced	*
Federal funds sold, securities purchased under resale agreements and other	Carrying value	Par/principal and appropriate interest yield

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Loans	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity
Cash and cash equivalents	Carrying value	Par/principal and appropriate interest yield
Debt securities held-to-maturity	Discounted cash flow	Constant prepayment rate
		Prepayment rates
		Probability of default
		Risk-adjusted spread
		Loss severity
	Quoted prices	Price for similar security
	Vendor priced	*
Systemwide debt securities	Discounted cash flow	Benchmark yield curve
		Derived yield spread
		Own credit risk
Cash collateral	Carrying value	Par/principal and appropriate interest yield

* *The inputs used to estimate fair value for assets and liabilities that are obtained from third party vendors are not included in the table as the specific inputs applied are not provided by the vendor.*

Note 7 — Employee Benefit Plans

Following are retirement and other postretirement benefit expenses for the Bank:

	For the Three Months Ended March 31,	
(dollars in thousands)	2023	2022
Pension	$ 924	$ 1,083
401k	1,396	1,135
Other postretirement benefits	274	222
Total	$ 2,594	$ 2,440

Expenses in the above table include allocated estimates of funding for multiemployer plans in which the Bank participates. These amounts may change when a total funding amount and allocation is determined by the respective Plans' Sponsor Committees. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2023.

Further details regarding employee benefit plans are contained in the most recent annual report to Shareholders.

Note 8 — Commitments and Contingencies

Under the Farm Credit Act of 1971, each System bank is primarily liable for its portion of Systemwide bond and discount note obligations. Additionally, the four banks are jointly and severally liable for the bonds and notes of the other System banks under the terms of the Joint and Several Liability Allocation Agreement. Published in the Federal Register, the agreement prescribes the payment mechanisms to be employed in the event one of the banks is unable to meet its debt obligations.

In the event a bank is unable to timely pay principal or interest on an insured debt obligation for which the bank is primarily liable, the Farm Credit System Insurance Corporation (FCSIC) must expend amounts in the Insurance Fund to the extent available to ensure the timely payment of principal and interest on the insured debt obligation. The provisions of the Farm Credit Act providing for joint and several liability of the banks on the obligation cannot be invoked until the amounts in the Insurance Fund have been exhausted. However, because of other mandatory and discretionary uses of the Insurance Fund, there is no assurance that there will be sufficient funds to pay the principal or interest on the insured debt obligation.

Once joint and several liability provisions are initiated, the FCA is required to make "calls" to satisfy the liability first on all non-defaulting banks in the proportion that each non-defaulting bank's available collateral (collateral in excess of collateralized obligations) bears to the aggregate available collateral of all non-defaulting banks. If these calls do not satisfy the liability, then a further call would be made in proportion to each non-defaulting bank's remaining assets. Upon making a call on non-defaulting banks with respect to a Systemwide Debt Security issued on behalf of a defaulting bank, the FCA is required to appoint FCSIC as the receiver for the defaulting bank. The receiver would be required to expeditiously liquidate assets of the bank.

AgFirst did not anticipate making any payments on behalf of its co-obligors under the Joint and Several Liability Allocation Agreement for any of the periods presented. The total amount outstanding and the carrying amount of the Bank's liability under the agreement are as follows:

(dollars in billions)	March 31, 2023	December 31, 2022
Total System bonds and notes	$ 397.717	$ 389.977

From time to time, legal actions are pending against the Bank in which claims for money damages are asserted. On at least a quarterly basis, the Bank assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management and legal counsel are of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Bank. Because it is remote that the Bank will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 9 — Additional Financial Information

Offsetting of Financial Assets

(dollars in thousands)	March 31, 2023	December 31, 2022
Reverse repurchase and similar arrangements	$ 450,000	$ 350,000
Gross Amount of Recognized Assets	450,000	350,000
Reverse repurchase and similar arrangements	—	—
Gross Amounts Offset in the Balance Sheets	—	—
Net Amounts of Assets Presented in the Balance Sheets	$ 450,000	$ 350,000
Financial Instruments	(450,000)	(350,000)
Gross Amounts Not Offset in the Balance Sheets	(450,000)	(350,000)
Net Amount	$ —	$ —

There were no liabilities subject to master netting arrangements or similar agreements during the reporting periods.

The reverse repurchase agreements are accounted for as collateralized lending.

Combined Districtwide Financial Statements

The accompanying financial statements exclude financial information of the Bank's affiliated Associations. The Bank and its affiliated Associations are collectively referred to as the AgFirst District. The Bank separately publishes certain unaudited combined financial information of the AgFirst District, including a statement of condition and statement of comprehensive income, which can be found on the Bank's website at **www.agfirst.com**.

Note 10 — Subsequent Events

The Bank evaluated subsequent events and determined, other than described below, no subsequent events have occurred requiring disclosure through May 9, 2023, which was the date the financial statements were issued.

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 these two Associations were $4.1 billion as of March 31, 2023.

Additional Regulatory Information

(unaudited)

Overview

The following quantitative disclosures contain regulatory disclosures as required for the Bank under Regulation §628.62 and §628.63 for risk-adjusted ratios: common equity tier 1, tier 1 capital and total regulatory capital ratios. These disclosures should be read in conjunction with our 2022 Annual report, which includes additional qualitative disclosures. As required, these disclosures are made available for at least three years and can be accessed within the financial reports on AgFirst's website at www.agfirst.com.

SCOPE OF APPLICATION

AgFirst Farm Credit Bank (AgFirst or the Bank) is one of the four banks of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations, established by Congress and subject to the provisions of the Farm Credit Act of 1971, as amended. The Bank prepares financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the financial services industry.

As of March 31, 2023, the AgFirst District consisted of the Bank and 17 District Associations after two District Associations merged effective January 1, 2023. See further discussion in *Note 1 - Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements.* All 17 were structured as Agricultural Credit Association (ACA) holding companies, with Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries. AgFirst is owned jointly by these 17 Associations, certain Other Financing Institutions (OFIs), and other System institutions. The Bank does not have any subsidiaries requiring consolidation; therefore, there are no consolidated entities for which the total capital requirement is deducted, there are no restrictions on transfer of funds or total capital with other consolidated entities and no subsidiary exists which is below the minimum total capital requirement individually or when aggregated at the Bank's level. In conjunction with other System entities, the Bank jointly owns certain service organizations: the Federal Farm Credit Banks Funding Corporation (Funding Corporation), the FCS Building Association (FCSBA), and the Farm Credit Association Captive Insurance Corporation (Captive). Certain of the Bank's investments in other System institutions, including the investment in the Funding Corporation and FCSBA, are deducted from capital as only the institution that issued the equities may count the amount as capital.

CAPITAL STRUCTURE

The table below outlines the Bank's capital structure for the capital adequacy calculations as of March 31, 2023:

(dollars in thousands)		3-Month Average Daily Balance
Common Equity Tier 1 Capital (CET1)		
Common cooperative equities:		
Statutory minimum purchased borrower stock	$	21
Other required member purchased stock		99,422
Allocated equities:		
Allocated stock subject to retirement		203,097
Nonqualified allocated surplus subject to retirement		123,413
Unallocated retained earnings		1,999,719
Paid-in capital		63,668
Regulatory adjustments and deductions made to CET1*		(83,997)
Total CET1 Capital	$	2,405,343
Additional Tier 1 Capital (AT1)		
Total AT1 Capital	$	—
Total Tier 1 Capital	$	2,405,343
Tier 2 Capital		
Allowance for loan losses	$	38,370
Reserve for unfunded commitments		4,974
Total Tier 2 Capital	$	43,344
Total Regulatory Capital	$	2,448,687

**Primarily investments in other System institutions.*

CAPITAL ADEQUACY AND CAPITAL BUFFERS

The table below outlines the Bank's risk-weighted assets, by exposure, calculated on a three-month average daily balance (including accrued interest of that exposure) as of March 31, 2023:

(dollars in thousands)		Risk-Weighted Assets
Exposures to:		
Government-sponsored entities, including Direct Notes to Associations	$	5,327,461
Depository institutions		82,830
Corporate exposures, including borrower loans and leases		7,915,811
Residential mortgage loans		1,197,043
Past due > 90 days and nonaccrual loans		47,261
Securitizations		229,373
Exposures to obligors and other assets		199,399
Off-balance sheet exposures		1,980,861
Total risk-weighted assets	$	16,980,039

As of March 31, 2023, the Bank exceeded all capital requirements to which it was subject, including applicable capital buffers. The risk-adjusted capital ratios exceeded the regulatory minimum levels, including the conservation buffer, by at least 3.91 percent. Additionally, the Tier 1 leverage ratio was 0.72 percent in excess of the required minimum leverage ratio, including the buffer. If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The following sets forth the regulatory capital ratios as of March 31, 2023:

Ratio	Regulatory Minimum Requirement	Capital Conservation Buffer	Minimum Requirement, Including Buffer	Capital Ratios
Risk-adjusted ratios:				
CET1 Capital	4.50 %	2.50 %	7.00 %	14.15 %
Tier 1 Capital	6.00 %	2.50 %	8.50 %	14.15 %
Total Regulatory Capital	8.00 %	2.50 %	10.50 %	14.41 %
Permanent Capital	7.00 %	0.00 %	7.00 %	14.19 %
Non-risk-adjusted ratios:				
Tier 1 Leverage*	4.00 %	1.00 %	5.00 %	5.72 %
URE and URE Equivalents Leverage	1.50 %	0.00 %	1.50 %	4.71 %

**The Tier 1 Leverage Ratio must include a minimum of 1.5% of URE and URE Equivalents.*

CREDIT RISK

System entities have specific lending authorities within their chartered territories. The Bank is subject to credit risk by lending to the District's FLCAs, PCAs, and ACAs as well as OFIs. The Bank also purchases participations and syndications and first lien residential mortgage loans. The allowance for credit losses is determined based on a periodic evaluation of the loan portfolio, which identifies loans that may be impaired based on characteristics such as probability of default (PD) and loss given default (LGD). Allowance needs by geographic region are only considered in rare circumstances that may not otherwise be reflected in the PD and LGD (flooding, drought, etc.). There was no allowance attributed to a geographic area as of March 31, 2023. See Note 2, *Loans and Allowance for Credit Losses*, and Note 3, *Investments*, in the Notes to the Financial Statements for quantitative disclosures related to the Bank's credit risk.

CREDIT RISK MITIGATION

Credit Risk Mitigation Related to Loans

The Bank uses various strategies to mitigate credit risk in its lending portfolio. As described in Note 1 of the Bank's Annual Report, a substantial portion of the loan balance is concentrated in notes receivable from the District Associations to fund their earning assets, which collateralize the notes. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their respective retail loan portfolios. Excluding accrued interest receivable, at March 31, 2023, the Bank's Direct Note portfolio totaled $21.152 billion and aggregate District Associations' loan portfolios totaled $27.958 billion.

The following table illustrates certain significant credit risk mitigants within AgFirst's loan portfolio, including accrued interest, which reduce capital requirements as of March 31, 2023:

(dollars in thousands)	Ending Balance	3-Month Average Balance	Risk-Weighted Exposures	% of Total Loans
Loans with unconditional guarantee	$ 7,772	$ 8,000	$ —	— %
Loans with conditional guarantee	601,575	609,984	121,997	2 %
Direct Notes	21,211,734	21,047,880	4,209,576	66 %
Total	$ 21,821,081	$ 21,665,864	$ 4,331,573	68 %

The following table illustrates the geographic distribution of the aggregate loan portfolios for AgFirst District Associations which approximates the credit risk in the Direct Note portfolio as of March 31, 2023:

AgFirst Total District Associations
Loan Portfolios by State

	Percent of Portfolio
North Carolina	15 %
Georgia	11
Pennsylvania	11
Virginia	9
Florida	9
Ohio	8
Maryland	6
Alabama	5
South Carolina	5
Kentucky	3
Mississippi	2
Louisiana	2
Delaware	2
All Other States	12
Total	100 %

The following table illustrates the various major commodity groups in the aggregate District Associations' loan portfolios based on borrower eligibility as a percentage of the aggregate outstanding District Associations' loan volume at March 31, 2023:

AgFirst Total District Associations
Loan Portfolios by Commodity Group
Based on Eligibility

	Percent of Portfolio
Forestry	16 %
Poultry	12
Field Crops	12
Cattle	9
Grains	8
Other Real Estate	5
Corn	5
Dairy	4
Processing	4
Nursery/Greenhouse	4
Tree Fruits and Nuts	3
Rural Home Loans	3
Cotton	2
Swine	2
Utilities	2
Other	9
Total	100 %

The following table illustrates the aggregate District Associations' loan portfolios based upon repayment dependency by commodity as a percentage of the aggregate outstanding District Associations' loan volume at March 31, 2023:

AgFirst Total District Associations
Loan Portfolios by Commodity Group
Based on Repayment Dependency

	Percent of Portfolio
Non-Farm Income	34 %
Poultry	12
Field Crops	6
Grains	6
Forestry	5
Corn	4
Dairy	4
Processing	4
Cattle	3
Nursery/Greenhouse	3
Tree Fruits and Nuts	2
Other Real Estate	2
Cotton	2
Utilities	2
Swine	2
Other	9
Total	100 %

The following table illustrates AgFirst's loan portfolio by geographic distribution at March 31, 2023. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio by State

	At Period End			Year-to-Date Average Balance		
(dollars in thousands)	Outstanding Loans	Unfunded Amounts	Total Exposure	Outstanding Loans	Unfunded Amounts	Total Exposure
Georgia	$ 1,164,392	$ 456,645	$ 1,621,037	$ 1,120,275	$ 460,039	$ 1,580,314
North Carolina	1,355,840	232,124	1,587,964	1,383,499	232,992	1,616,491
Florida	919,839	404,239	1,324,078	930,868	396,289	1,327,157
Texas	731,682	168,123	899,805	710,225	182,624	892,849
Minnesota	409,715	222,842	632,557	395,156	238,321	633,477
New York	447,804	151,457	599,261	429,054	153,042	582,096
Virginia	495,601	102,658	598,259	495,855	106,874	602,729
South Carolina	509,152	83,280	592,432	531,400	104,962	636,362
California	384,244	102,283	486,527	366,068	95,499	461,567
Pennsylvania	301,020	163,625	464,645	270,422	161,411	431,833
Illinois	326,903	117,642	444,545	378,093	118,516	496,609
Ohio	299,737	102,164	401,901	291,783	104,800	396,583
Indiana	326,129	58,498	384,627	223,876	129,120	352,996
Maryland	298,858	25,692	324,550	304,036	62,553	366,589
Missouri	197,378	104,331	301,709	182,384	106,333	288,717
Louisiana	163,753	115,960	279,713	168,072	113,020	281,092
Tennessee	181,044	82,726	263,770	146,462	87,425	233,887
Nebraska	155,424	105,769	261,193	103,646	103,055	206,701
Kentucky	228,405	19,513	247,918	230,952	20,015	250,967
Washington	156,831	76,483	233,314	155,329	80,521	235,850
All other states	1,855,079	876,350	2,731,429	1,856,665	893,996	2,750,661
Direct Notes	21,152,321	2,893,759	24,046,080	21,015,309	3,060,797	24,076,106
Total loans	$ 32,061,151	$ 6,666,163	$ 38,727,314	$ 31,689,429	$ 7,012,204	$ 38,701,633

The following table shows the various major commodity groups in the portfolio based on borrower eligibility at March 31, 2023. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio by Commodity Group Based on Eligibility

	At Period End			Year-to-Date Average Balance		
(dollars in thousands)	Outstanding Loans	Unfunded Amounts	Total Exposure	Outstanding Loans	Unfunded Amounts	Total Exposure
Rural Home Loans	$ 3,069,057	$ 164,617	$ 3,233,674	$ 3,065,752	$ 172,954	$ 3,238,706
Utilities	1,741,748	827,189	2,568,937	1,674,029	854,548	2,528,577
Processing	1,596,076	882,823	2,478,899	1,538,212	945,641	2,483,853
Forestry	1,252,528	452,325	1,704,853	1,198,698	454,435	1,653,133
Field Crops	579,229	191,367	770,596	493,234	253,618	746,852
Tree Fruits and Nuts	350,053	198,226	548,279	327,145	202,141	529,286
Grains	260,250	187,699	447,949	257,055	189,785	446,840
Dairy	177,602	77,738	255,340	182,146	79,457	261,603
Nursery/Greenhouse	228,117	24,554	252,671	230,501	47,501	278,002
Cattle	204,440	23,459	227,899	196,945	24,722	221,667
Swine	179,413	45,649	225,062	202,928	47,729	250,657
Other	1,270,317	696,758	1,967,075	1,307,475	678,876	1,986,351
Direct Notes	21,152,321	2,893,759	24,046,080	21,015,309	3,060,797	24,076,106
Total loans	$ 32,061,151	$ 6,666,163	$ 38,727,314	$ 31,689,429	$ 7,012,204	$ 38,701,633

The following table segregates loans based upon repayment dependency by commodity at March 31, 2023. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio by Commodity Group Based on Repayment Dependency

	At Period End			Year-to-Date Average Balance		
(dollars in thousands)	Outstanding Loans	Unfunded Amounts	Total Exposure	Outstanding Loans	Unfunded Amounts	Total Exposure
Non-Farm Income	$ 3,402,956	$ 204,597	$ 3,607,553	$ 3,371,037	$ 212,436	$ 3,583,473
Utilities	1,708,269	827,189	2,535,458	1,674,029	854,548	2,528,577
Processing	1,591,680	880,810	2,472,490	1,536,738	968,719	2,505,457
Forestry	1,134,955	431,870	1,566,825	1,076,779	428,680	1,505,459
Field Crops	603,425	227,178	830,603	523,230	282,999	806,229
Tree Fruits and Nuts	318,867	159,394	478,261	295,295	163,725	459,020
Grains	269,000	198,681	467,681	276,214	196,045	472,259
Dairy	173,816	75,613	249,429	179,072	77,257	256,329
Nursery/Greenhouse	206,045	21,120	227,165	195,917	25,062	220,979
Other	1,499,817	745,952	2,245,769	1,545,809	741,936	2,287,745
Direct Notes	21,152,321	2,893,759	24,046,080	21,015,309	3,060,797	24,076,106
Total loans	$ 32,061,151	$ 6,666,163	$ 38,727,314	$ 31,689,429	$ 7,012,204	$ 38,701,633

A significant source of liquidity for the Bank is the repayments of loans. The following table presents the contractual maturity distribution of loans by loan type at the latest period end. This table does not include accrued interest.

	March 31, 2023				
(dollars in thousands)	Due Less Than 1 Year	Due 1 Through 5 Years	Due 5 to 15 Years	Due After 15 Years	Total
Direct Notes	$ 1,501,895	$ 4,813,035	$ 8,374,790	$ 6,462,601	$ 21,152,321
Real estate mortgage	7,235	275,399	620,982	271,980	1,175,596
Production and intermediate-term	208,465	679,998	358,848	1,510	1,248,821
Agribusiness:					
Loans to cooperatives	96,272	443,743	116,699	—	656,714
Processing and marketing	282,028	1,286,271	548,570	18,146	2,135,015
Farm-related business	4,371	70,825	41,305	—	116,501
Rural infrastructure:					
Communication	8,455	403,084	312,945	—	724,484
Power and water/waste disposal	181,107	539,009	387,284	379,718	1,487,118
Rural residential real estate	156,703	29,924	364,025	2,518,405	3,069,057
Other:					
International	—	108,271	19,833	—	128,104
Lease receivables	—	—	393	—	393
Loans to OFIs	157,077	5,000	—	—	162,077
Other (including Mission Related)	—	275	4,675	—	4,950
Total loans	$ 2,603,608	$ 8,654,834	$ 11,150,349	$ 9,652,360	$ 32,061,151
Percentage	8.12 %	26.99 %	34.78 %	30.11 %	100.00 %

The following table illustrates AgFirst's nonperforming loans by geographic distribution at March 31, 2023. This table does not include accrued interest.

Total Outstanding Nonperforming Loans by State

(dollars in thousands)	At Period End	Year-to-Date Average Balance
California	20,233	9,996
Georgia	13,860	8,035
North Carolina	9,497	8,003
Texas	4,577	2,812
Nebraska	3,022	1,466
Virginia	1,705	1,611
Florida	991	2,786
Kentucky	896	780
All other states	2,918	3,063
Total nonperforming loans	$ 57,699	$ 38,552

The Bank does not use credit default swaps as part of its credit risk management approach.

Credit Risk Mitigation Related to Investments

Credit risk in AgFirst's investment portfolio is largely mitigated by investing primarily in securities issued or guaranteed by the U.S. government or one of its agencies.

The following table shows the investment exposures covered by a guarantee as of March 31, 2023. This table does not include accrued interest.

(dollars in thousands)	Amortized Cost	Fair Value	% of Total Investments	Risk- Weighted Exposures
Unconditional Guarantee:				
U.S. Govt. Treasury Securities	$ 140,804	$ 139,205	2 %	$ —
U.S. Govt. Guaranteed	4,366,453	3,924,799	44 %	—
Conditional Guarantee:				
U.S. Govt. Agency Guaranteed	4,895,882	4,463,179	50 %	996,389
Total	$ 9,403,139	$ 8,527,183	96 %	$ 996,389

COUNTERPARTY CREDIT RISK

Counterparty credit risk exposures may consist of derivative instruments and repurchase-style transactions. By using derivative instruments, the Bank exposes itself to credit and market risk. The amount of this exposure depends on the value of underlying market factors (e.g., interest rates and foreign exchange rates), which can be volatile and uncertain in nature. If a counterparty fails to fulfill its performance obligations under a derivative contract, the Bank's credit risk will equal the fair value gain in the derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the Bank is exposed to an economic loss if the counterparty defaults. When the fair value of the derivative contract is negative, the counterparty is exposed to an economic loss in the event of a Bank default and the Bank has no credit risk exposure.

To minimize the risk of credit losses, the Bank transacts with counterparties that have an investment grade credit rating from a major rating agency and also monitors the credit standing of, and levels of exposure to, individual counterparties. The Bank typically enters into master agreements that contain netting provisions. These provisions allow the Bank to require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts.

Financial instruments qualifying as eligible collateral are specifically defined under individual counterparty credit support agreements, but generally include cash, U.S. Treasury debt obligations, debt obligations of certain federal

agencies and mortgage-backed securities guaranteed by certain federal agencies. Federal agencies include the Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and the Federal Home Loan Banks. The value of the instrument when used as collateral may be discounted from its market price up to 10 percent, depending on the security type, issuer, and term. Such discounts are defined in the credit support agreement.

At March 31, 2023, the Bank had one foreign currency forward commitment outstanding with a notional value of $583 thousand.

SECURITIZATION

The Bank has elected to utilize the simplified supervisory formula risk-based capital approach (SSFA) for securitization exposures. As such, the Bank's asset-backed securities (ABS) portfolio is risk weighted on an individual security level. As of March 31, 2023, the securities in this portfolio were risk weighted 52.05 percent, with a range of 20.00 percent to 113.89 percent. Total risk-weighted assets for these investment securities utilizing a three-month average daily balance were $225.6 million at March 31, 2023. At March 31, 2023, the Bank's ABS portfolio included, excluding accrued interest, $275.6 million of automobile ABSs and $116.5 million of credit card ABSs.

The following table shows the risk-weight distribution as of March 31, 2023 for ABS securities which are risk weighted using the SSFA approach. This table does not include accrued interest.

	ABS Securities by SSFA Risk Weight Classification		
(dollars in thousands)	**Automobile ABSs**	**Credit Card ABSs**	**Total**
0% – 50%	$ 111,620	$ 116,491	$ 228,111
Greater than 50% – 100%	120,009	—	120,009
Greater than 100% – 150%	43,998	—	43,998
Total Exposure	$ 275,627	$ 116,491	$ 392,118

As of March 31, 2023, the Bank did not hold any off-balance sheet securitization exposures nor were any securitization exposures deducted from capital. For the three months ended March 31, 2023, there were no sales of ABS securities that resulted in realized gains or losses.

Refer to Note 3, *Investments*, in the Notes to the Financial Statements for additional information related to purchases and sales of securitization exposures as well as the amortized cost, unrealized gains/(losses) and fair value of mortgage-backed securities (MBSs) and ABSs held in the Bank's investment portfolio.

EQUITIES

At March 31, 2023, the Bank had no equity investments other than equity investments in other Farm Credit institutions.

INTEREST RATE RISK

For discussion of AgFirst's market value of equity and projected change over the next twelve months in net interest income for various rate movements as of March 31, 2023, see the *Interest Rate Risk Management* section of Management's Discussion and Analysis of Financial Condition and Results of Operations.