AGFIRST FARM CREDIT BANK & DISTRICT ASSOCIATIONS

2022 FIRST QUARTER FINANCIAL INFORMATION

FARM CREDIT

AgFirst Farm Credit Bank and District Associations March 31, 2022 Financial Information

(unaudited)

INTRODUCTION AND DISTRICT OVERVIEW

The following commentary reviews the Combined Financial Statements of condition and results of operations of AgFirst Farm Credit Bank (AgFirst or the Bank) and the District Agricultural Credit Associations (Associations or District Associations), collectively referred to as the AgFirst District (District), for the three months ended March 31, 2022. AgFirst and the District Associations are part of the Farm Credit System (the System), a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. Cooperatives are organizations that are owned and controlled by their members who use the cooperatives' products or services. The U.S. Congress authorized the creation of the first System institutions in 1916. The System was created to provide support for the agricultural sector because of its significance to the well-being of the U.S. economy and the U.S. consumer. The mission of the System is to support rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow. The System does this by making appropriately structured loans to qualified individuals and businesses at competitive rates and providing financial services and advice to those persons and businesses. AgFirst and each District Association are individually regulated by the Farm Credit Administration (FCA).

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

As of March 31, 2022, the District consisted of the Bank and nineteen District Associations. All nineteen were structured as Agricultural Credit Association (ACA) holding companies, with Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries. PCAs originate and service short- and intermediate-term loans; FLCAs originate and service long-term real estate mortgage loans; and ACAs originate and service both long-term real estate mortgage loans and short- and intermediate-term loans. See *Other Matters* section for discussion of two pending mergers in the District.

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

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

AgFirst and the Associations are chartered to serve eligible borrowers in Alabama, Delaware, Florida, Georgia, Maryland, Mississippi, North Carolina, Pennsylvania, South Carolina, Virginia, West Virginia, Puerto Rico, and portions of Kentucky, Louisiana, Ohio, and Tennessee. As of March 31, 2022, two other Farm Credit Banks (FCBs) and an Agricultural Credit Bank (ACB), through a number of associations, provided loans and related services to eligible borrowers in the remaining portion of the United States. While owned by its related associations, each FCB manages and controls its own business activities and operations. The ACB is owned by its related associations as well as other agricultural and rural institutions, including agricultural cooperatives. Associations are not commonly owned or controlled and each manages and controls its own business activities and operations.

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

Financial Highlights

(dollars in thousands)	March 31, 2022	December 31, 2021
Total loans	**$ 35,444,555**	$ 34,861,495
Allowance for loan losses	**(204,705)**	(212,216)
Net loans	**35,239,850**	34,649,279
Total assets	**45,955,266**	45,743,761
Total shareholders' equity	**7,105,817**	7,329,678

	For the Three Months Ended March 31,	
	2022	2021
Net interest income	**$ 330,478**	$ 328,836
Reversal of allowance for loan losses	**(7,113)**	(911)
Noninterest income (expense), net	**(140,899)**	(124,889)
Net income	**$ 196,692**	$ 204,858
Net interest income as a percentage of average earning assets	**2.99 %**	3.22 %
Net (charge-offs) recoveries to average loans	**0.00 %**	(0.01)%
Return on average assets	**1.74 %**	1.96 %
Return on average shareholders' equity	**10.74 %**	11.48 %
Operating expense as a percentage of net interest income and noninterest income	**46.21 %**	42.10 %
Average loans	**$ 35,129,763**	$ 32,187,087
Average earning assets	**44,845,041**	41,429,176
Average assets	**45,781,349**	42,444,186

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

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2022 was $196.7 million compared to $204.9 million for the corresponding period in 2021, a decrease of $8.2 million or 3.99 percent. See below for further discussion of the change in net income by major components.

Net Interest Income

Net interest income increased $1.6 million, or 0.50%, to $330.5 million, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The net interest margin, which is net interest income as a percentage of average earning assets, was 2.99 percent, a decrease of 23 basis points for the three months ended March 31, 2022 compared to the same period in the prior year. Net interest income remained relatively stable despite the net interest spread and net interest margin decreasing primarily due to an increase in earning asset volume, partially offset by higher rates paid on interest-bearing liabilities.

The COVID-19 impact on interest rates provided the Bank opportunities to call and replace a significant volume of debt during 2020 and, to a lesser extent, during 2021. Exercising the call options, and replacing the called debt with bonds generally having a similar maturity, resulted in a significant decrease in the cost of interest-bearing liabilities as compared to the yield on the assets funded by those liabilities. Over time, the inflated spread between the yield on earning assets and the cost of interest-bearing liabilities will return to a more normal level. The decrease in net interest income as compared to prior periods primarily resulted from this return toward a more normalized relationship between the yield on earning assets and the spread on bearing liabilities, partially offset by an increase in interest-earning asset volume.

The effects of changes in volume and interest rates on net interest income for the three months ended March 31, 2022, as compared with the corresponding period in 2021, 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, 2022 vs. March 31, 2021		
	Increase (decrease) due to changes in:		
(dollars in thousands)	**Volume**	**Rate**	**Total**
Interest Income:			
Loans	$ 30,024	$ (9,826)	$ 20,198
Investments & Cash Equivalents	1,824	3,039	4,863
Other	—	(2)	(2)
Total Interest Income	31,848	(6,789)	25,059
Interest Expense:			
Interest-Bearing Liabilities	5,419	17,998	23,417
Changes in Net Interest Income	$ 26,429	$ (24,787)	$ 1,642

Provision for Loan Losses

AgFirst and the District Associations measure risks inherent in their individual loan portfolios on an ongoing basis and, as necessary, recognize provision for loan loss expense so that appropriate allowances for loan losses are maintained. Provision for loan losses was a provision reversal of $7.1 million for the three months ended March 31, 2022, compared to a provision reversal of $911 thousand for the corresponding period in 2021.

For the three months ended March 31, 2022, the provision for loan losses included provision expense for specific reserves of $432 thousand and provision reversal for general reserves of $7.5 million. Total provision reversal for the three months ended March 31, 2022 primarily related to borrowers in the grains ($1.9 million reversal), poultry ($1.7 million reversal), field crops ($1.3 million reversal), corn ($1.2 million reversal), cotton ($1.1 million reversal), dairy ($1.0 million reversal), and rural home loans ($1.0 million expense) segments.

For the three months ended March 31, 2021, the provision for loan losses included provision reversals for specific reserves of $2.1 million and provision expense for general reserves of $1.2 million. Total provision reversal for the three months ended March 31, 2021 primarily related to borrowers in the poultry ($2.4 million reversal), swine ($957 thousand reversal), utilities ($886 thousand expense), and field crops ($776 thousand expense) segments.

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

Noninterest Income

The following table illustrates the changes in noninterest income:

Change in Noninterest Income	**For the Three Months Ended March 31,**		
(dollars in thousands)	**2022**	**2021**	**Increase/ Decrease**
Loan fees	$ 10,137	$ 15,007	$ (4,870)
Fees for financially related services	2,578	2,442	136
Gains (losses) on debt extinguishment	—	(2,220)	2,220
Gains (losses) on other transactions	2,959	3,055	(96)
Patronage refunds from other Farm Credit institutions	4,211	3,520	691
Other noninterest income	2,418	1,732	686
Total noninterest income	$ 22,303	$ 23,536	$ (1,233)

Noninterest income decreased $1.2 million for the three months ended March 31, 2022 compared to the corresponding period in 2021. Significant line item dollar variances are discussed below.

Loan fees decreased $4.9 million for the three months ended March 31, 2022 compared to the corresponding period in 2021 primarily due to $4.5 million in lower fee income on loans made under the SBA Paycheck Protection Program (PPP).

Debt issuance expense is amortized into interest expense over the contractual life of the underlying debt security. Debt is called to take advantage of favorable market interest rate changes. When debt securities are called prior to maturity, any unamortized issuance cost is expensed through gains (losses) on debt extinguishment. The amount of issuance cost expensed when a bond is called is dependent upon both the size and remaining maturity of the bond when called. Losses on called debt are more than offset by interest expense savings realized over the life of the replacement debt. There were no call options exercised on bonds for the three months ended March 31, 2022, compared to $2.691 billion for the three months ended March 31, 2021. Accordingly, losses on debt extinguishment decreased $2.2 million for the three months ended March 31, 2022, compared to the same period in 2021.

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)	**2022**	**2021**	**Increase/ Decrease**
Salaries and employee benefits	$ 93,580	$ 88,438	$ 5,142
Occupancy and equipment	7,010	6,942	68
Insurance Fund premiums	12,553	11,248	1,305
Purchased services	16,903	10,948	5,955
Data processing	8,388	6,843	1,545
Other operating expenses	24,569	23,914	655
Losses (gains) from other property owned	(75)	(77)	2
Total noninterest expenses	$ 162,928	$ 148,256	$ 14,672

Noninterest expenses increased $14.7 million for the three months ended March 31, 2022, compared to the corresponding period in 2021. Significant line item dollar variances are discussed below.

Salaries and employee benefits expenses increased $5.1 million for the three months ended March 31, 2022. The increase resulted primarily due to normal salary administration, an increase in group health insurance, increased performance-based incentives and an increase in headcount.

Purchased services increased $6.0 million for the three months ended March 31, 2022. The increases resulted primarily from higher contractor and consultant costs related to District technology initiatives (primarily loan accounting and loan origination systems, and data management enhancements).

LOAN PORTFOLIO

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

Loan Types

(dollars in thousands)	**March 31, 2022**		**December 31, 2021**		**March 31, 2021**	
Real Estate Mortgage	$ 18,944,195	53.45 %	$ 18,585,303	53.31 %	$ 17,202,518	53.08 %
Production and Intermediate-Term	6,333,613	17.87	6,804,869	19.52 %	6,388,867	19.71
Rural Residential Real Estate	3,482,720	9.83	3,437,224	9.86 %	3,421,452	10.56
Processing and Marketing	2,906,342	8.20	2,808,239	8.06 %	2,265,320	6.99
Loans to Cooperatives	1,004,618	2.82	698,651	2.00 %	836,924	2.58
Power and Water/Waste Disposal	898,356	2.53	796,698	2.29 %	684,879	2.12
Communication	842,616	2.38	786,992	2.26 %	751,906	2.32
Farm-Related Business	483,173	1.36	453,413	1.30 %	406,163	1.25
Other (including Mission Related)	200,833	0.57	159,177	0.46 %	86,198	0.27
International	176,589	0.50	157,547	0.45 %	214,685	0.66
Loans to Other Financing Institutions (OFIs)	158,916	0.45	159,061	0.45 %	137,785	0.43
Lease Receivables	12,584	0.04	14,321	0.04 %	9,654	0.03
Total	$ 35,444,555	100.00 %	$ 34,861,495	100.00 %	$ 32,406,351	100.00 %

Total loans outstanding were $35.445 billion at March 31, 2022, an increase of $583.1 million, or 1.67 percent, compared to total loans outstanding at December 31, 2021 and an increase of $3.038 billion, or 9.38%, since March 31, 2021.

Compared to year-end 2021, the increase in loans was primarily in the utilities, nursery/greenhouse, processing, rural home loan, and cattle segments. Compared to March 31, 2021, the year-over-year increase in loan volume was primarily in the forestry, field crops, processing, utilities, and grains segments. Growth in both periods came from a combination of factors including new client acquisition, customers restructuring their balance sheets to take advantage or the current rate environment, liquidity needs due to commodity price escalation, and merger and acquisition activity.

Credit Quality

Credit quality of the District's loans is show below:

	Total Loan Portfolio Credit Quality as of:		
Classification	**March 31, 2022**	**December 31, 2021**	**March 31, 2021**
Acceptable	96.96 %	96.51 %	95.49 %
OAEM	1.65 %	1.94 %	2.53 %
Substandard/doubtful/loss	1.39 %	1.55 %	1.98 %
Total	100.00 %	100.00 %	100.00 %

District credit quality has remained relatively stable, but it may deteriorate in future quarters in response to potential changes in government support for agricultural sectors and unemployment benefits, inflationary pressures, and unforeseen impacts from trade, weather, avian flu, or agriculture-related events.

During the first quarter of 2022 and throughout 2021, severe weather events impacted U.S. agriculture. Severe weather conditions have impacted South American crop production, which impacts trade and demand for U.S. agricultural production. Additionally, global climate change mitigation policies, among other things, have contributed to higher energy costs in some parts of the world. Nitrogen fertilizer production is highly sensitive to energy costs, particularly natural gas. As such, higher fertilizer costs result in lower profit margins for many crop producers.

Domestically, according to the U.S. Drought Monitor, as of March 31, 2022, approximately 58 percent of the United States was experiencing moderate to exceptional drought, concentrated mainly in the West, High Plains, South and Southeast regions, as compared with approximately 55 percent as of December 31, 2021 and 44% as of March 31, 2021. The impact on agricultural production will vary depending on commodities produced in the areas most affected by drought conditions. Crop insurance and advances in production practices may help mitigate some of the impacts of weather events.

As a result of stable credit quality and the District's efforts to resolve problem assets, the District's high-risk assets continue to be a small percentage of the total loan volume and total assets. Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

(dollars in thousands)	March 31, 2022	December 31, 2021
Nonaccrual loans:		
Real estate mortgage	$ 90,247	$ 90,654
Production and intermediate-term	57,566	61,663
Processing and marketing	9,459	10,390
Farm-related business	4,527	4,032
Power and water/waste disposal	10,980	10,980
Rural residential real estate	18,122	19,757
Lease receivables	65	94
Total	$ 190,966	$ 197,570
Accruing restructured loans:		
Real estate mortgage	$ 71,141	$ 74,377
Production and intermediate-term	28,066	26,657
Processing and marketing	9,641	8,969
Farm-related business	158	169
Rural residential real estate	24,753	20,017
Lease receivables	—	—
Other (including mission related)	3,745	3,687
Total	$ 137,504	$ 133,876
Accruing loans 90 days or more past due:		
Real estate mortgage	$ —	$ 405
Production and intermediate-term	1,590	220
Rural residential real estate	501	5,781
Other (including mission related)	1,388	458
Total	$ 3,479	$ 6,864
Total nonperforming loans	$ 331,949	$ 338,310
Other property owned	5,268	6,285
Total nonperforming assets	$ 337,217	$ 344,595
Nonaccrual loans as a percentage of total loans	0.54 %	0.57 %
Nonperforming assets as a percentage of total loans and other property owned	0.95 %	0.99 %
Nonperforming assets as a percentage of capital	4.75 %	4.70 %

The recorded investment in a receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment. The following tables provide an aging analysis of the recorded investment in past due loans as of:

	March 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**
Real estate mortgage	$ 45,969	$ 36,063	$ 82,032	$ 18,995,544	$ 19,077,576
Production and intermediate-term	17,007	30,413	47,420	6,335,560	6,382,980
Loans to cooperatives	—	—	—	1,005,862	1,005,862
Processing and marketing	91	2,097	2,188	2,911,752	2,913,940
Farm-related business	694	3,151	3,845	481,779	485,624
Communication	—	—	—	842,969	842,969
Power and water/waste disposal	—	10,980	10,980	890,356	901,336
Rural residential real estate	30,890	6,308	37,198	3,454,430	3,491,628
International	—	—	—	176,973	176,973
Lease receivables	5	65	70	12,557	12,627
Loans to OFIs	—	—	—	159,182	159,182
Other (including Mission Related)	1,105	1,388	2,493	199,259	201,752
Total	$ 95,761	$ 90,465	$ 186,226	$ 35,466,223	$ 35,652,449

	December 31, 2021				
(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**
Real estate mortgage	$ 58,269	$ 38,576	$ 96,845	$ 18,616,845	$ 18,713,690
Production and intermediate-term	18,686	27,058	45,744	6,815,090	6,860,834
Loans to cooperatives	—	—	—	699,511	699,511
Processing and marketing	181	2,125	2,306	2,812,733	2,815,039
Farm-related business	1,367	3,060	4,427	451,184	455,611
Communication	—	—	—	787,137	787,137
Power and water/waste disposal	55,251	10,980	66,231	732,474	798,705
Rural residential real estate	29,956	12,593	42,549	3,402,798	3,445,347
International	—	—	—	158,146	158,146
Lease receivables	317	—	317	14,162	14,479
Loans to OFIs	—	—	—	159,327	159,327
Other (including Mission Related)	3,986	458	4,444	155,540	159,984
Total	$ 168,013	$ 94,850	$ 262,863	$ 34,804,947	$ 35,067,810

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 combined District at March 31, 2022 were $191.0 million compared to $197.6 million at December 31, 2021. Nonaccrual loans decreased $6.6 million during the three months ended March 31, 2022 due primarily to repayments of $18.1 million and reinstatements to accrual status of $2.5 million. Partially offsetting these decreases were loan balances transferred to nonaccrual status of $9.1 million. At March 31, 2022, total nonaccrual loans consisted primarily of the following industries: field crops (13.73 percent of the total), poultry (12.03 percent), rural home loans (9.55 percent), tree fruits and nuts (8.74 percent), cattle (7.78 percent), and grains (7.25 percent). Nonaccrual loans were 0.54 percent of total loans outstanding at March 31, 2022 compared to 0.57 percent at December 31, 2021.

Troubled Debt Restructurings

A troubled debt restructuring (TDR) occurs when a borrower is experiencing financial difficulties and a concession is granted to the borrower that the Bank and District Associations would not otherwise consider. Concessions are granted to borrowers based on either an assessment of the borrower's ability to return to financial viability or a court order. The concessions can be in the form of a modification of terms, rates, or amounts owed. Acceptance of other assets and/or equity as payment may also be considered a concession. The type of alternative financing granted is chosen in order to minimize the loss incurred by the Bank and District Associations. TDRs totaled $199.5 million at March 31, 2022, compared to $196.2 million at December 31, 2021. At March 31, 2022, TDRs were comprised of $137.5 million of accruing restructured loans and $62.0 million of nonaccrual restructured loans. Restructured loans were primarily in the rural home loan (14.82 percent of the total), poultry (13.89 percent), field crops (11.19 percent), forestry (8.62 percent), dairy (7.96 percent), cattle (7.37 percent), tree fruits and nuts (6.64 percent), and grains (5.46 percent) segments.

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 and District Associations (or a lender group) in satisfaction of secured loans. OPO may be comprised of real estate, equipment, and equity interests in companies or partnerships. OPO decreased $1.0 million during 2022 to $5.3 million at March 31, 2022.

Allowance for Loan Losses

Each District institution maintains an allowance for loan losses at a level management considers adequate to provide for probable and estimable credit losses within its respective loan and finance lease portfolios as of each reported balance sheet date. The District increases the allowance by recording a provision for loan losses in the income statement. Loan losses are recorded against and serve to decrease the allowance when management determines that any portion of a loan or lease is uncollectible. Any subsequent recoveries are added to the allowance. Management's evaluations consider factors which include, among other things, loan loss experience, portfolio quality, loan portfolio composition, current agricultural production conditions, and general economic conditions. Although aggregated in the District's combined financial statements, the allowance for loan losses for each District entity is particular to that institution and is not available to absorb losses realized by other District entities.

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

(dollars in thousands)	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Lease Receivables	Other Loans**	Total
Activity related to allowance for credit losses:										
Balance at December 31, 2021	$ 98,823	$ 79,314	$ 19,662	$ 2,102	$ 3,068	$ 8,341	$ 377	$ 107	$ 422	$ 212,216
Charge-offs	(909)	(309)	(11)	—	—	(818)	—	—	—	(2,047)
Recoveries	839	678	15	—	—	117	—	—	—	1,649
Reversal of loan losses	(533)	(7,586)	29	200	(170)	1,032	(57)	(13)	(15)	(7,113)
Balance at March 31, 2022	$ 98,220	$ 72,097	$ 19,695	$ 2,302	$ 2,898	$ 8,672	$ 320	$ 94	$ 407	$ 204,705
Balance at December 31. 2020	$ 100,824	$ 85,000	$ 19,011	$ 2,378	$ 1,305	$ 10,563	$ 461	$ 330	$ 389	$ 220,261
Charge-offs	(116)	(707)	(661)	—	—	(368)	—	—	—	(1,852)
Recoveries	700	524	158	—	—	21	—	—	—	1,403
Provision for loan losses	1,321	(3,860)	1,339	(69)	657	(63)	31	(238)	(29)	(911)
Balance at March 31, 2021	$ 102,729	$ 80,957	$ 19,847	$ 2,309	$ 1,962	$ 10,153	$ 492	$ 92	$ 360	$ 218,901
Allowance on loans evaluated for impairment:										
Individually	$ 4,726	$ 10,402	$ 428	$ —	$ 1,540	$ 1,034	$ —	$ —	$ 92	$ 18,222
Collectively	93,494	61,695	19,267	2,302	1,358	7,638	320	94	315	186,483
PCI***	—	—	—	—	—	—	—	—	—	—
Balance at March 31, 2022	$ 98,220	$ 72,097	$ 19,695	$ 2,302	$ 2,898	$ 8,672	$ 320	$ 94	$ 407	$ 204,705
Individually	$ 4,570	$ 10,704	$ 435	$ —	$ 1,760	$ 627	$ —	$ —	$ 92	$ 18,188
Collectively	94,253	68,610	19,227	2,102	1,308	7,714	377	107	330	194,028
PCI***	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2021	$ 98,823	$ 79,314	$ 19,662	$ 2,102	$ 3,068	$ 8,341	$ 377	$ 107	$ 422	$ 212,216
Recorded investment in loans evaluated for impairment:										
Individually	$ 265,114	$ 84,484	$ 23,638	$ —	$ 10,980	$ 606,961	$ —	$ 65	$ 5,132	$ 996,374
Collectively	18,812,047	6,298,496	4,381,788	842,969	890,356	2,884,667	176,973	12,562	355,802	34,655,660
PCI***	415	—	—	—	—	—	—	—	—	415
Balance at March 31, 2022	$ 19,077,576	$ 6,382,980	$ 4,405,426	$ 842,969	$ 901,336	$ 3,491,628	$ 176,973	$ 12,627	$ 360,934	$ 35,652,449
Individually	$ 272,655	$ 84,809	$ 20,939	$ —	$ 10,980	$ 633,918	$ —	$ 94	$ 4,145	$ 1,027,540
Collectively	18,440,589	6,776,025	3,949,222	787,137	787,725	2,811,429	158,146	14,385	315,166	34,039,824
PCI***	446	—	—	—	—	—	—	—	—	446
Balance at December 31, 2021	$ 18,713,690	$ 6,860,834	$ 3,970,161	$ 787,137	$ 798,705	$ 3,445,347	$ 158,146	$ 14,479	$ 319,311	$ 35,067,810

** Includes the loan types: Loans to cooperatives, Processing and marketing, and Farm-related business.*
*** Includes the loan types: Mission Related Loans and Loans to OFIs.*
**** Purchased credit impaired loans.*

The allowance for loan losses was $204.7 million at March 31, 2022, as compared with $212.2 million at December 31, 2021, a decrease of $7.5 million. Provision reversal of $7.1 million and recoveries of $1.6 million reduced the allowance during the three months ended March 31, 2022, and were partially offset by charge-offs of $2.0 million. Recoveries during the three months ended March 31, 2022 were related primarily to borrowers in the poultry (48.17 percent of the total), corn (11.19 percent of the total), field crops (9.95 percent of the total), cotton (8.73 percent of the total), and rural home loan (7.13 percent of the total) segments. See *Provision for Loan Losses* section above for additional details regarding loan loss provision expense and reversals. Charge-offs during the first three months of 2022 were related primarily to borrowers in the rural home loans (39.98 percent of the total), poultry (37.71 percent), cattle (8.97 percent), and forestry (7.81 percent) segments. The allowance at March 31, 2022 included specific reserves of $18.2 million (8.90 percent of the total) and $186.5 million (91.10 percent) of general reserves. The largest commodity segments included in the allowance at March 31, 2022 were the poultry (15.08 percent of the total), field crops (12.04 percent), forestry (11.50 percent), cattle (8.07 percent) and grains (5.52 percent) segments. The allowance for loan losses was 0.58 percent, 0.61 percent, and 0.68 percent of total loans outstanding at March 31, 2022, December 31, 2021, and March 31, 2021, respectively.

INVESTMENTS

The Bank is responsible for meeting the District's funding, liquidity and asset/liability management needs. Along with normal cash flows associated with lending operations, the District has two primary sources of liquidity: the capacity to issue Systemwide Debt Securities through the Federal Farm Credit Banks Funding Corporation, and cash and investments. The

Bank also maintains several repurchase agreement facilities. In addition, the System has established a line of credit in the event contingency funding is needed to meet obligations of System banks.

The Bank's investments are primarily classified as available-for-sale investments. Refer to the Bank's First Quarter 2022 Report for additional information related to investments. District Associations also have regulatory authority to enter into certain government guaranteed investments, generally mortgage-backed or asset-backed securities. There were no impairment losses recorded by the District during the three months ended March 31, 2022 or 2021. As of March 31, 2022, one Association had recorded cumulative impairment losses of $184 thousand on one investment security. The following tables summarize the District's investments:

	March 31, 2022			
(dollars in thousands)	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
District Bank investments	$ 9,514,600	$ 19,003	$ (377,165)	$ 9,156,438
District Association investments	30,389	1,412	(287)	31,514
Total District investments	$ 9,544,989	$ 20,415	$ (377,452)	$ 9,187,952

	December 31, 2021			
(dollars in thousands)	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
District Bank investments	$ 9,314,698	$ 92,012	$ (67,506)	$ 9,339,204
District Association investments	30,905	3,235	(123)	34,017
Total District investments	$ 9,345,603	$ 95,247	$ (67,629)	$ 9,373,221

CAPITAL

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

Total shareholders' equity decreased $223.9 million, or 3.05 percent, from December 31, 2021 to $7.106 billion at March 31, 2022. This decrease is primarily attributed to $381.4 million in unrealized losses in the investments portfolio due to an increase in interest rates which decreased the fair value of existing available-for-sale fixed-rate investment securities, patronage distributions of $32.6 million, and $19.8 million of retained earnings retired. This decrease is partially offset by net income of $196.7 million, and capital stock issued of $10.7 million.

The following table summarizes accumulated other comprehensive income (AOCI) balances at period end:

(dollars in thousands)	**March 31, 2022**	**December 31, 2021**
Accumulated Other Comprehensive Loss		
Unrealized gain (loss) on investment securities	$ (381,389)	$ (94,457)
Derivatives and hedging activity	(9)	(17)
Employee benefit plans activity	5,774	8,527
Total accumulated other comprehensive loss	$ (375,624)	$ (85,947)

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

Regulatory Capital Requirements and Ratios

As of March 31, 2022	Primary Components of Numerator	Regulatory Minimums	Minimum with Buffer	Bank	District Associations
Risk adjusted:					
Common equity tier 1 capital ratio	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	4.50 %	7.00 %	15.21%	15.68% - 33.30%
Tier 1 capital ratio	CET1 capital, non-cumulative perpetual preferred stock	6.00 %	8.50 %	15.43%	15.68% - 33.30%
Total capital ratio	Tier 1 capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4]	8.00 %	10.50 %	15.58%	16.20% - 34.09%
Permanent capital ratio	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.00 %	7.00 %	15.46%	15.82% - 33.54%
Non-risk adjusted:					
Tier 1 leverage ratio*	Tier 1 capital	4.00 %	5.00 %	5.86%	15.42% - 31.98%
URE and UREE component	URE and URE equivalents	1.50 %	1.50 %	5.00%	10.29% - 31.70%

[1] *Equities outstanding 7 or more years*
[2] *Capped at 1.25% of risk-adjusted assets*
[3] *Outstanding 5 or more years, but less than 7 years*
[4] *Outstanding 5 or more years*
* *At least 1.50% must be URE and URE equivalents*

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 will replace the incurred loss methodology upon adoption. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities would be 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 would not be eligible for inclusion in a System institution's Tier 2 capital. The regulation does 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 does not include an exclusion for the CECL day 1 cumulative effective adjustment from the "safe harbor" deemed prior approval provision. The rule will be effective on January 1, 2023.

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

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

OTHER MATTERS

Direct Notes

See the *Direct Notes* section of *Management's Discussion & Analysis of Financial Condition & Results of Operations* in the AgFirst Farm Credit Bank First Quarter 2022 Report for a discussion of the Bank's funding to District Associations.

Association Merger Activity

On August 31, 2021, the boards of MidAtlantic Farm Credit, ACA and AgChoice Farm Credit, ACA announced intentions to pursue a merger. The Associations, with combined total assets of $5.5 billion, anticipate a merger date of July 1, 2022 subject to receiving all regulatory and shareholder approvals required.

On April 11, 2022, the boards of AgCarolina Farm Credit, ACA and Cape Fear Farm Credit, ACA announced intentions to pursue a merger. The Associations, with combined total assets of $2.4 billion, anticipate a merger date of January 1, 2023 subject to receiving all regulatory and shareholder approvals required.

Future of LIBOR

In 2017, the United Kingdom's Financial Conduct Authority (UK FCA), which regulates LIBOR, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. As a result, it was uncertain whether LIBOR would continue to be quoted after 2021.

On March 5, 2021, ICE Benchmark Administration (IBA) (the entity that is responsible for calculating LIBOR) announced its intention to cease the publication of the one-week and two-month US dollar LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining US dollar LIBOR settings immediately following the LIBOR publication on June 30, 2023. On the same day, the UK FCA announced that the IBA had notified the UK FCA of its intent, among other things, to cease providing certain US dollar LIBOR settings as of June 30, 2023. In its announcement, the UK FCA confirmed that all 35 LIBOR tenors (including with respect to US dollar LIBOR) will be discontinued or declared nonrepresentative as of either: (a) immediately after December 31, 2021 or (b) immediately after June 30, 2023.

The Bank and Associations have exposure to LIBOR arising from loans made to customers, investment securities purchased, Systemwide Debt Securities issued by the Funding Corporation on the Bank's behalf, and preferred stock issued by the Bank. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of, and return on, instruments held.

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.

On July 26, 2021, the Alternative Reference Rates Committee (ARRC) announced it will recommend the CME Group's forward-looking SOFR term rates. The ARRC's formal recommendation of SOFR term rates is a major milestone and has increased the volume of transactions quoted in SOFR, supporting the implementation of the transition away from LIBOR.

On October 20, 2021, the U.S. prudential regulators issued a joint statement emphasizing the expectation that supervised institutions with LIBOR exposure continue to progress toward an orderly transition away from LIBOR, reiterating that supervised institutions should, with limited exceptions, cease entering into new contracts that use US dollar LIBOR as a reference rate as soon as practicable, but no later than December 31, 2021. They further stated that entering into new contracts, including derivatives, after that date would create safety and soundness risks. The joint statement clarified that a new contract is one that (1) creates additional LIBOR exposure or (2) extends the term of an existing LIBOR contract; however, a draw on an existing agreement that is legally enforceable, e.g., a committed credit facility, would not be a new contract. The joint statement also provided considerations when assessing the appropriateness of alternative reference rates used in lieu of LIBOR and the expectation that new or updated LIBOR contracts include strong and clearly defined fallback rates for when the initial reference rate is discontinued.

On December 8, 2021, the FCA issued another informational memorandum to provide additional guidance to Farm Credit System institutions on their transition away from LIBOR. The guidance highly discourages Farm Credit System institutions from entering into new contracts that reference LIBOR as soon as practicable and in any event no later than December 31, 2021. The guidance also provides clarity on what the FCA considers a new LIBOR-indexed contract; whether purchases of legacy LIBOR-indexed loans and investments are deemed new contracts; limited exceptions for entering into new LIBOR contracts that reduce or hedge risk in legacy LIBOR contracts; and the due diligence and other procedures required before using other benchmark/reference rate alternatives to LIBOR (beyond SOFR), including credit-sensitive alternative rates.

The following is a summary of District variable-rate financial instruments outstanding with LIBOR exposure at March 31, 2022:

(dollars in millions)	Due Before June 30, 2023	Due After June 30, 2023	Total	% Due After June 30, 2023 to Balance Sheet Line Item	% Without fallback provisions
Investments	$ —	$ 930	$ 930	10.1%	0.1%
Loans	477	4,462	4,939	12.6%	1.1%
Total Assets	$ 477	$ 5,392	$ 5,869	11.7%	1.1%
Systemwide debt securities	$ 285	$ —	$ 285	N/A	N/A
Preferred stock	—	33	33	100.0%	100.0%
Total Liabilities and Equity	$ 285	$ 33	$ 318	0.1%	0.1%

The LIBOR transition plan includes implementing fallback language into variable-rate financial instruments maturing after March 31, 2022 which provides the ability to move these instruments to another index if the LIBOR market is no longer viable. The Bank's preferred stock may be redeemed on any five-year anniversary of its issuance. The next redemption date for the preferred stock is June 15, 2022 and the Bank’s Board has approved the call of the preferred stock on that date.

Balance Sheets

(unaudited)

(dollars in thousands)	March 31, 2022	December 31, 2021
Assets		
Cash	**$ 692,695**	$ 630,194
Cash equivalents	**125,000**	400,000
Investments in debt securities:		
Available-for-sale (amortized cost of $9,496,176 and $9,295,565, respectively)	**9,136,799**	9,317,572
Held-to-maturity (fair value of $51,153 and $55,649, respectively)	**48,813**	50,038
Total investments in debt securities	**9,185,612**	9,367,610
Loans	**35,444,555**	34,861,495
Allowance for loan losses	**(204,705)**	(212,216)
Net loans	**35,239,850**	34,649,279
Loans held for sale	**7,501**	8,382
Accrued interest receivable	**229,276**	229,090
Accounts receivable	**72,865**	76,301
Equity investments in other Farm Credit institutions	**58,868**	57,455
Other Investments	**3,149**	2,426
Premises and equipment, net	**261,919**	249,421
Other property owned	**5,268**	6,285
Other assets	**73,263**	67,318
Total assets	**$ 45,955,266**	$ 45,743,761
Liabilities		
Systemwide bonds payable	**$ 32,763,428**	$ 31,440,802
Systemwide notes payable	**5,378,374**	6,123,570
Accrued interest payable	**58,209**	41,735
Accounts payable	**73,258**	528,778
Advanced conditional payments	**15,673**	10,991
Other liabilities	**560,507**	268,207
Total liabilities	**38,849,449**	38,414,083
Commitments and contingencies (Note 8)		
Shareholders' Equity		
Perpetual preferred stock	**32,500**	32,500
Protected borrower equity	**446**	446
Capital stock and participation certificates	**199,767**	189,018
Additional paid-in-capital	**87,363**	87,363
Retained earnings		
Allocated	**2,315,934**	2,312,926
Unallocated	**5,090,117**	4,952,111
Accumulated other comprehensive loss	**(620,310)**	(244,686)
Total shareholders' equity	**7,105,817**	7,329,678
Total liabilities and equity	**$ 45,955,266**	$ 45,743,761

Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2022	2021
Interest Income		
Investments	**$ 36,864**	$ 32,001
Loans	**358,428**	338,230
Other	**38**	40
Total interest income	**395,330**	370,271
Interest Expense	**64,852**	41,435
Net interest income	**330,478**	328,836
Reversal of allowance for loan losses	**(7,113)**	(911)
Net interest income after provision for loan losses	**337,591**	329,747
Noninterest Income		
Loan fees	**10,137**	15,007
Fees for financially related services	**2,578**	2,442
Losses on debt extinguishment	**—**	(2,220)
Gains on other transactions	**2,959**	3,055
Patronage refunds from other Farm Credit institutions	**4,211**	3,520
Other noninterest income	**2,418**	1,732
Total noninterest income	**22,303**	23,536
Noninterest Expenses		
Salaries and employee benefits	**93,580**	88,438
Occupancy and equipment	**7,010**	6,942
Insurance Fund premiums	**12,553**	11,248
Purchased services	**16,903**	10,948
Data processing	**8,388**	6,843
Other operating expenses	**24,569**	23,914
Gains from other property owned	**(75)**	(77)
Total noninterest expenses	**162,928**	148,256
Income before income taxes	**196,966**	205,027
Provision for income taxes	**274**	169
Net income	**$ 196,692**	$ 204,858
Other comprehensive loss:		
Unrealized losses on investments	**(381,389)**	(94,457)
Change in value of cash flow hedges	**(9)**	(17)
Employee benefit plans adjustments	**5,774**	8,527
Other comprehensive loss (Note 5)	**(375,624)**	(85,947)
Comprehensive (loss) income	**$ (178,932)**	$ 118,911

DISTRICT ASSOCIATIONS

As of March 31, 2022

Associations	Direct Notes	% of Direct Note Total	Total Assets	Total Allowance and Capital	Total Regulatory Capital Ratio	Nonperforming Loans as a % of Total Loans	ROA
(dollars in thousands)							
AgCarolina	$ 930,369	4.50 %	$ 1,265,010	$ 322,809	21.21 %	1.12 %	1.88 %
AgChoice	2,218,903	10.74	2,768,243	498,983	16.20	0.21	1.75
AgCredit	2,171,144	10.51	2,667,340	455,953	20.76	0.25	1.82
AgGeorgia	892,239	4.32	1,193,035	282,362	23.71	2.74	2.30
AgSouth	1,554,733	7.52	2,064,327	457,906	22.84	0.82	2.58
ArborOne	476,315	2.31	593,172	117,480	19.05	3.23	2.29
Cape Fear	826,246	4.00	1,092,788	241,529	20.20	0.92	2.28
Carolina	1,442,097	6.98	1,862,957	372,564	19.95	0.58	2.24
Central Florida	601,114	2.91	755,426	133,410	17.15	0.85	1.55
Central Kentucky	548,644	2.66	683,047	126,952	19.73	0.44	1.85
Colonial	531,833	2.57	752,437	199,289	23.97	0.18	1.97
First South	2,274,181	11.01	2,891,032	574,638	17.93	0.11	1.63
Florida	1,082,530	5.24	1,440,798	335,407	20.18	0.43	2.04
MidAtlantic	2,291,946	11.09	3,082,343	703,445	20.96	2.07	2.25
Northwest Florida	224,458	1.09	321,126	92,213	27.42	0.56	1.63
Puerto Rico	111,185	0.54	170,895	56,809	34.09	6.33	0.65
River Valley	423,942	2.05	553,228	118,038	20.65	2.24	1.64
Southwest Georgia	505,727	2.45	630,966	117,882	18.25	0.92	2.17
Virginias	1,556,348	7.53	2,077,119	480,487	22.70	2.05	1.40

AgFirst Farm Credit Bank

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

AgFirst District Associations

AgCarolina Farm Credit, ACA
4000 Poole Road
Raleigh, NC 27610
919-250-9500
www.agcarolina.com

AgChoice Farm Credit, ACA
300 Winding Creek Blvd.
Mechanicsburg, PA 17050
717-796-9372
www.agchoice.com

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

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

AgSouth Farm Credit, ACA
26 South Main Street
Statesboro, GA 30458
912-764-9091
www.agsouthfc.com

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

Cape Fear Farm Credit, ACA
333 East Russell Street
Fayetteville, NC 28301
910-323-9188
www.capefearfc.com

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

Central Kentucky Agricultural Credit Association
640 S. Broadway
Lexington, KY 40508
859-253-3249
www.agcreditonline.com

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

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

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

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

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

First South Farm Credit, ACA
574 Highland Colony Parkway, Suite 100
Ridgeland, MS 39157
601-977-8381
www.firstsouthfarmcredit.com

MidAtlantic Farm Credit, ACA
45 Aileron Court
Westminster, MD 21157
410-848-1033
www.mafc.com

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

River Valley AgCredit, ACA
408 East Broadway
Mayfield, KY 42066
270-247-5613
www.rivervalleyagcredit.com

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