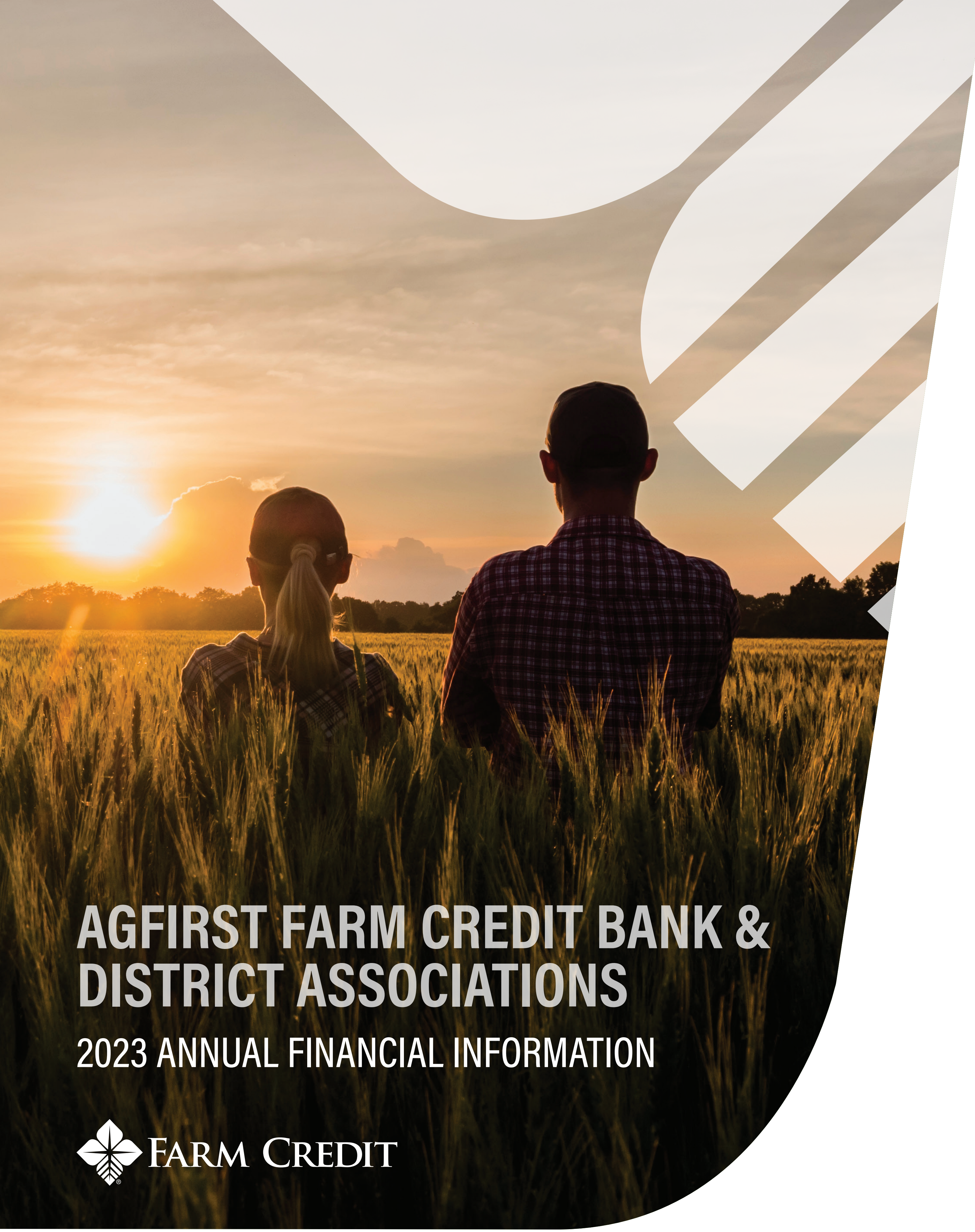

AGFIRST FARM CREDIT BANK & DISTRICT ASSOCIATIONS

2023 ANNUAL FINANCIAL INFORMATION

FARM CREDIT

AgFirst Farm Credit Bank and District Associations December 31, 2023 Financial Information

(unaudited)

INTRODUCTION AND DISTRICT OVERVIEW

The following commentary reviews the Combined Financial Statements of Condition and Results of Operations of AgFirst Farm Credit Bank (AgFirst or the Bank) and the District Agricultural Credit Associations (Associations or District Associations), collectively referred to as the AgFirst District (District), for the years ended December 31, 2023, 2022, and 2021. AgFirst and the District Associations are part of the Farm Credit System (the System), a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. System institutions are generally organized as cooperatives. Cooperatives are organizations that are owned and controlled by their members who use the cooperatives' products or services. The U.S. Congress authorized the creation of the first System institutions in 1916. The System was created to provide support for the agricultural sector because of its significance to the well-being of the U.S. economy and the U.S. consumer. The mission of the System is to support rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow. The System does this by making appropriately structured loans to qualified individuals and businesses at competitive rates and providing financial services and advice to those persons and businesses. AgFirst and each District Association are individually regulated by the Farm Credit Administration (FCA).

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

As of December 31, 2023, the District consisted of the Bank and sixteen District Associations. See *Other Matters* section below for details of merger activity among Associations in the District. All sixteen were structured as Agricultural Credit Association (ACA) holding companies, with Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries. PCAs originate and service short- and intermediate-term loans; FLCAs originate and service long-term real estate mortgage loans; and ACAs originate and service both long-term real estate mortgage loans and short- and intermediate-term loans.

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

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

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

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

Financial Highlights

(dollars in thousands)

As of December 31,	**2023**	**2022**	**2021**
Total loans	**$ 40,750,224**	$ 38,103,069	$ 34,861,495
Allowance for loan losses	**(150,498)**	(181,254)	(212,216)
Net loans	**$ 40,599,726**	$ 37,921,815	$ 34,649,279
Total assets	**$ 51,826,565**	$ 48,907,496	$ 45,743,761
Total shareholders' equity	**6,808,874**	6,585,151	7,329,678

Year Ended December 31,	**2023**	**2022**	**2021**
Net interest income	**$ 1,333,291**	$ 1,347,600	$ 1,344,273
Provision for (reversal of) credit losses	**53,507**	(15,426)	(3,553)
Noninterest expense, net	**(680,255)**	(600,844)	(535,566)
Net income	**$ 599,529**	$ 762,182	$ 812,260
Net interest income as a percentage of average earning assets	**2.73 %**	2.91 %	3.16 %
Net (charge-offs) recoveries to average loans	**(0.10)%**	0.00 %	(0.01)%
Return on average assets	**1.20 %**	1.62 %	1.87 %
Return on average shareholders' equity	**8.78 %**	10.73 %	10.87 %
Operating expense as a percentage of net interest income and noninterest income	**54.08 %**	48.73 %	43.83 %
Average loans	**$ 39,207,286**	$ 36,467,661	$ 33,163,811
Average earning assets	**48,916,589**	46,258,944	42,607,256
Average assets	**49,851,733**	47,174,706	43,496,675

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

RESULTS OF OPERATIONS

Net Income

District net income totaled $599.5 million for the year ended December 31, 2023, a decrease of $162.7 million from 2022. Net income of $762.2 million for the year ended December 31, 2022 was a decrease of $50.1 million from 2021. Major components of the changes in net income for the referenced periods are outlined in the following table and discussion:

Change in Net Income	**Year Ended December 31,**	
(dollars in thousands)	**2023**	**2022**
Net income (for prior year)	$ 762,182	$ 812,260
Increase (decrease) in Net income due to:		
Total interest income	821,840	372,700
Total interest expense	836,149	369,373
Net interest income	(14,309)	3,327
Provision for credit losses	(68,933)	11,873
Noninterest income	(3,251)	(4,886)
Noninterest expense	(77,303)	(60,258)
Provision for income taxes	1,143	(134)
Total increase (decrease) in net income	(162,653)	(50,078)
Net income	$ 599,529	$ 762,182

Net Interest Income

Net interest income was $1.3 billion for the years ended December 31, 2023, 2022, and 2021, which was a decrease of $14.3 million, or 1.1 percent, in 2023 and an increase of $3.3 million, or 0.25 percent in 2022. The net interest margin, which is net interest income as a percentage of average earning assets, was 2.73 percent, 2.91 percent, and 3.16 percent for the years ended December 31, 2023, 2022, and 2021, respectively, a decrease of 18 basis points and a decrease of 25 basis points in 2023 and 2022, respectively.

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

Net interest income remained relatively stable despite decreases in the net interest margin primarily due to increases in the volume of interest-earning assets.

The effects of changes in volumes and interest rates on net interest income for the year ended December 31, 2023 as compared with the corresponding periods in 2022 and 2021, are presented in the following tables. 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.

(dollars in thousands)	For the Year Ended December 31, 2023 vs. December 31, 2022 Increase (decrease) due to changes in: Volume	Rate	Total	For the Year Ended December 31, 2022 vs. December 31, 2021 Increase (decrease) due to changes in: Volume	Rate	Total
Interest Income:						
Loans	$ 166,313	$ 515,239	$ 681,552	$ 153,886	$ 145,568	$ 299,454
Investments & Cash Equivalents	(8,165)	134,697	126,532	4,935	63,422	$ 68,357
Other	7,302	6,454	13,756	1,236	3,653	$ 4,889
Total Interest Income	165,450	656,390	821,840	160,057	212,643	372,700
Interest Expense:						
Interest-Bearing Liabilities	95,385	740,764	836,149	57,318	312,055	369,373
Changes in Net Interest Income	$ 70,065	$ (84,374)	$ (14,309)	$ 102,739	$ (99,412)	$ 3,327

Provision for Credit Losses

AgFirst and the District Associations measure risks inherent in their individual loan portfolios on an ongoing basis and, as necessary, recognize provision for credit loss expense so that appropriate allowances for credit losses (ACL) are maintained. Provision for credit losses, which includes the provision for loan loss and, beginning in 2023, the provision for unfunded commitments, was a provision expense of $53.5 million for the year ended December 31, 2023, compared to a provision reversal of $15.4 million and $3.6 million for the years ended December 31, 2022 and 2021, respectively. The impact of the requirements to estimate losses over the contractual life of the loan as part of the adoption of Accounting Standards Update - Financial Instruments - Credit Losses, commonly referred to as the Current Expected Credit Loss (CECL) standard, adopted at the beginning of 2023, can lead to larger volatility in provision expense when compared to the previous incurred loss model.

For the year ended December 31, 2023, the provision for loan losses included net provision expense for specific reserves of $43.4 million and net provision expense for general reserves of $6.6 million. For the year ended December 31, 2023, the provision for unfunded commitments included a provision expense of $3.5 million. Total provision expense for the year ended December 31, 2023 is primarily related to borrowers in the tree fruits and nuts ($32.4 million expense), field crops ($8.6 million expense), forestry ($6.6 million expense), and utilities ($2.2 million expense) segments.

The $15.4 million in net provision reversal for the year ended December 31, 2022 consisted of $16.0 million of net provision reversal for general reserves and $583 thousand of provision expense for specific reserves. Net provision reversal in 2022 primarily related to borrowers in the poultry ($9.7 million reversal), forestry ($3.4 million reversal), corn ($1.8 million reversal), and cotton ($1.5 million reversal) segments, partially offset by processing ($3.4 million expense), and field crops ($2.3 million expense) segments.

The $3.6 million in net provision reversal for the year ended December 31, 2021 consisted of $6.3 million of net provision reversals for general reserves and $2.7 million of provision expense for specific reserves. Net provision expense in 2021 primarily related to borrowers in the poultry ($3.6 million reversal), swine ($1.5 million reversal), dairy ($1.5 million reversal), and cattle ($1.0 million reversal) segments, partially offset by tree fruits and nuts ($2.6 million expense), utilities ($1.6 million expense), field crops ($1.3 million expense), fruits/vegetables ($1.2 million expense), and forestry ($1.1 million expense) segments.

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

Noninterest Income

The following table illustrates the changes in noninterest income:

Change in Noninterest Income	**For the Year Ended December 31,**			**Increase (Decrease)**	
				2023 /	**2022 /**
(dollars in thousands)	**2023**	**2022**	**2021**	**2022**	**2021**
Loan fees	$ 39,258	$ 40,379	$ 52,979	$ (1,121)	$ (12,600)
Fees for financially related services	23,286	21,280	19,826	2,006	1,454
Gains on investments, net	—	—	330	—	(330)
(Losses) gains on debt extinguishment	(6,515)	56	(9,204)	(6,571)	9,260
Gains on other transactions	2,227	2,986	11,392	(759)	(8,406)
Patronage refunds from other Farm Credit institutions	25,024	21,572	15,211	3,452	6,361
Other noninterest income	6,534	6,792	7,417	(258)	(625)
Total noninterest income	$ 89,814	$ 93,065	$ 97,951	$ (3,251)	$ (4,886)

Noninterest income decreased $3.3 million from 2022 to 2023 and decreased $4.9 million from 2021 to 2022. Significant line-item dollar variances greater than $2.0 million or unusual in nature are discussed below.

Loan fees decreased $12.6 million for the year ended December 31, 2022, compared to the prior year. The decrease for 2022 was primarily due to lower fee income from loans made under the SBA Paycheck Protection Program (PPP) of $8.3 million as the program stopped accepting new loans in 2021. Additionally, there was a $6.0 million decrease in fee income from loan originations as mortgage refinances slowed as a result of the rising rate environment.

Fees for financially related services increased $2.0 million for the year ended December 31, 2023 when compared to the prior year primarily due to higher income received from the expansion of tax services to borrowers at one Association that merged in 2022 with another Association which had been providing these services to its borrowers.

Losses on debt extinguishment were $6.5 million for the year ended December 31, 2023, compared to gains of $56.0 thousand and losses of $9.2 million in 2022 and 2021, respectively. 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 losses on debt extinguishment. The amount of issuance cost expensed is dependent upon both the size and remaining maturity of the bond when called. Losses on called debt are more than offset by interest expense savings realized over the life of the replacement debt. Call options were exercised on bonds totaling $3.0 billion for the year ended December 31, 2023 compared to none in 2022 and $7.3 billion for the year ended December 31, 2021. Despite not exercising any call options on bonds during 2022, the Bank repurchased and subsequently cancelled one discount note that resulted in $56 thousand in gains during 2022.

Gains on other transactions decreased $8.4 million for the year ended December 31, 2022. The variance resulted primarily from an $8.9 million decrease in the market value of certain nonqualified retirement plan trust assets as a result of the increase in interest rates.

Patronage refunds from other Farm Credit institutions increased by $3.5 million and $6.4 million for the year ended December 31, 2023 and 2022, respectively, primarily due to increased loan volume sold to other System institutions.

Noninterest Expenses

The following table illustrates the changes in noninterest expenses:

Change in Noninterest Expenses	**For the Year Ended December 31,**			**Increase (Decrease)**	
				2023 /	**2022 /**
(dollars in thousands)	**2023**	**2022**	**2021**	**2022**	**2021**
Salaries and employee benefits	$ 393,493	$ 373,910	354,054	$ 19,583	$ 19,856
Occupancy and equipment	29,293	29,049	27,365	244	1,684
Insurance fund premiums	66,703	67,093	47,212	(390)	19,881
Purchased services	79,084	74,212	58,426	4,872	15,786
Data processing	52,345	38,454	31,506	13,891	6,948
Other operating expenses	148,681	114,154	113,530	34,527	624
Gains from other property owned	(245)	(4,821)	(300)	4,576	(4,521)
Total noninterest expenses	$ 769,354	$ 692,051	$ 631,793	$ 77,303	$ 60,258

Noninterest expenses increased $77.3 million and $60.3 million for the years ended December 31, 2023 and 2022, respectively, compared to the prior years. Significant line-item dollar variances greater than $2.0 million or unusual in nature are discussed below.

Salaries and employee benefits expenses increased $19.6 million and $19.9 million for the years ended December 31, 2023 and 2022, respectively. The increase in 2023 was primarily due to normal salary administration, higher group health insurance expense due to higher claims experience, and higher annual leave expenses due to lower utilization of annual leave across the District as a result of technology initiatives. The increase in 2022 was primarily due to normal salary administration, increased headcount, and higher performance-based incentives.

Insurance fund premiums increased $19.9 million for the year ended December 31, 2022. The increase in 2022 resulted primarily due to an increase in the premium assessment rate from 16 basis points in 2021 to 20 basis points in 2022. The premium rate decreased to 18 basis points in 2023, the impact of which was offset by an increase in debt outstanding (which in turn was driven by asset growth). The Insurance Fund premium rate will be 10 basis points for at least the first half of 2024 as compared to 18 basis points for 2023.

As the result of significant technology initiatives, data processing and purchased services expenses increased $13.9 million and $4.9 million, respectively, for the year ended December 31, 2023 and $6.9 million and $15.8 million, respectively for the year ended December 31, 2022. The data processing increases are primarily from higher software and hardware depreciation and maintenance costs associated with new systems implemented as part of the technology modernization initiatives. The purchased services increases resulted from contractors and consultants utilized in the development and implementation of these systems including a new mortgage loan origination system and a new loan accounting system implemented in 2023.

Other operating expenses increased $34.5 million for the year ended December 31, 2023, primarily due to an increase in non-service pension expense of $32.0 million. This increase is due to a significant number of lump sum withdrawals from retirements during 2023 that triggered settlement accounting expenses of $18.3 million. Poor returns on equity investments and negative returns on fixed income investments due to rising interest rates in 2022 also increased the pension expense recorded in 2023. Additionally, a special termination benefit at one District Association resulted in $1.2 million in expenses as a result of a merger during the first quarter of 2023.

Gains on other property owned decreased by $4.6 million and increased by $4.5 million for the years ended December 31, 2023 and 2022, respectively. For 2023, the decrease resulted from lower gains on sales. For 2022, the increase resulted from higher gains on sales and lower write-downs.

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)*	**December 31, 2023**		**December 31, 2022**		**December 31, 2021**	
Real estate mortgage	$ 20,071,746	49.26 %	$ 19,567,465	51.35 %	$ 18,585,303	53.31 %
Production and intermediate-term	7,513,910	18.44	7,087,492	18.60	6,804,869	19.52
Agribusiness:						
Loans to cooperatives	794,631	1.95	763,647	2.01	698,651	2.00
Processing and marketing	3,815,876	9.36	3,387,983	8.89	2,808,239	8.06
Farm-related business	632,802	1.55	581,143	1.53	453,413	1.30
Rural infrastructure:						
Power	1,655,434	4.06	1,129,848	2.97	734,620	2.11
Communication	1,281,338	3.14	1,051,506	2.76	786,992	2.26
Water/Waste disposal	462,915	1.14	203,724	0.53	62,078	0.18
Rural residential real estate	3,866,809	9.49	3,718,275	9.76	3,437,224	9.86
Other:						
International	218,835	0.54	214,546	0.56	157,547	0.45
Lease receivables	13,194	0.03	12,979	0.03	14,321	0.04
Loans to other financing institutions (OFIs)	167,962	0.41	166,260	0.44	159,061	0.45
Other (including mission related)	254,772	0.63	218,201	0.57	159,177	0.46
Total	$ 40,750,224	100.00 %	$ 38,103,069	100.00 %	$34,861,495	100.00 %

Total loans outstanding were $40.8 billion at December 31, 2023, an increase of $2.6 billion, or 6.95 percent, compared to total loans outstanding at December 31, 2022 and an increase of $3.2 billion, or 9.30 percent, from December 31, 2021 to December 31, 2022.

In 2023, the loan growth for the combined District portfolio was primarily in the processing, utilities, and forestry segments, and in 2022, was primarily in the utilities, processing, forestry, rural home loans, and grains segments. Loan growth for both periods was primarily due to 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.

Credit Quality

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

- Acceptable – Assets are expected to be fully collectible and represent the highest quality. In addition, these assets may include loans with properly executed and structured guarantees that might otherwise be classified less favorably.
- OAEM – Assets are currently collectible but exhibit some potential weakness.
- Substandard – Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

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

District Credit Quality by Origination Year

(in thousands)

Balance as of December 31, 2023	Acceptable	OAEM	Substandard	Doubtful	Loss	Current Period Gross Writeoffs
2023	$ 6,569,096	$ 83,172	$ 35,884	$ —	$ —	$ 343
2022	6,911,369	113,135	73,910	67	1	8,381
2021	6,242,268	84,501	44,784	—	2	716
2020	4,166,886	79,450	65,801	36	230	276
2019	2,430,148	27,197	51,458	—	2	18,113
Prior	7,519,236	149,411	116,483	68	9	3,649
Revolving loans	5,745,737	126,654	113,144	84	1	11,953
Total	$39,584,740	$ 663,520	$ 501,464	$ 255	$ 245	$ 43,431
As a percentage of total loans	97.14 %	1.63 %	1.23 %	— %	— %	
Total as of December 31, 2022*	$37,373,882	$ 529,257	$ 465,550	$ 63	$ —	$ 5,700
As a percentage of total loans	97.41 %	1.38 %	1.21 %	— %	— %	

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

District credit quality declined slightly in 2023, but remains strong overall. Credit quality may be impacted in future periods 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.

As mentioned above, the Associations serve primarily all or a portion of fifteen states and Puerto Rico. Additionally, AgFirst and the Associations actively purchase and sell loans and loan participations with non-District institutions. The resulting geographic diversity is a natural credit risk-reducing factor. The geographic distribution of the District's loan volume outstanding by state at December 31 is shown in the following table:

	District Loan Volume by State*		
State	**2023**	**2022**	**2021**
North Carolina	14 %	15 %	16 %
Georgia	11	11	11
Pennsylvania	9	9	9
Florida	8	9	8
Ohio	7	7	7
Virginia	7	8	8
South Carolina	6	5	5
Maryland	5	5	5
Alabama	4	4	5
Kentucky	3	3	3
Texas	3	3	2
Louisiana	2	2	2
Mississippi	2	2	2
California	2	1	1
Other states including Puerto Rico	17	16	16
Total	100 %	100 %	100 %

** The distribution is based on the state in which the borrower is headquartered and may not be representative of their operations and business activities.*

At December 31, 2023, only two states have loan volume representing 10.00 percent or more of the total. Commodity diversification, guarantees, and borrowers with significant reliance on non-farm income further mitigate the geographic concentration risk in these states.

The District's credit portfolios are comprised of a number of segments having varying, and in some cases complementary, characteristics which helps mitigate credit risk. Commodity and industry categories are based on the Standard Industrial Classification system published by the federal government. This system is used to assign commodity or industry categories based on the largest agricultural commodity of the customer. The aggregate credit portfolio of the District by major commodity segments based on borrower eligibility at December 31 is shown in the following table:

	Percent of Portfolio		
Commodity Group - Eligibility	**2023**	**2022**	**2021**
Forestry	15 %	15 %	15 %
Rural Home Loans	10	10	10
Field Crops	9	10	10
Poultry	9	9	10
Processing	7	6	5
Cattle	7	7	7
Grains	6	6	6
Utilities	6	5	4
Corn	4	4	4
Other Real Estate	4	4	4
Dairy	4	4	4
Tree Fruits and Nuts	3	3	3
Nursery/Greenhouse	3	3	3
Swine	2	2	2
Cotton	2	2	2
Other	9	10	11
Total	100 %	100 %	100 %

As illustrated in the above chart, at December 31, 2023, the District had concentrations of 10.00 percent or greater in only two commodities: forestry and rural home. Both commodities have geographic dispersion over the entire AgFirst footprint.

Forestry is divided principally into hardwood and softwood production and value-added processing. The timber from hardwood production is further processed into furniture, flooring, and high-grade paper and is generally located at the more northern latitudes and higher elevations of the District. Softwood timber production is typically located in the coastal plains of the AgFirst District footprint and is used for building materials for the housing market and pulp to make paper and hygiene products. Timber producers at the Associations range in size from less than fifty acres to thousands of acres, with value-added processing being conducted at sawmills, planer mills, and paper mills.

The District's rural home loans consist primarily of first lien residential mortgages purchased by the Bank's Correspondent Lending Unit. At December 31, 2023, 16.77 percent of the loans in this portfolio include a long-term standby commitment to purchase (LTSP) from Federal National Mortgage Association (Fannie Mae) and/or Federal Agricultural Mortgage Corporation (Farmer Mac), thereby limiting credit risk. The LTSPs give AgFirst the right to deliver delinquent loans to the guarantor at par. The remaining loans are included in the Bank's allowance for loan losses methodology related to this portfolio.

The diversity of income sources supporting District loan repayments, including a prevalence of non-farm income among the borrowers, further mitigates credit risk to AgFirst as demonstrated by the following table as of December 31:

	Percent of Portfolio		
Commodity Group - Repayment Dependency	**2023**	**2022**	**2021**
Non-Farm Income	33 %	34 %	35 %
Poultry	9	9	10
Processing	7	6	5
Forestry	7	6	7
Utilities	6	5	4
Field Crops	5	6	6
Grains	5	5	5
Corn	4	4	4
Dairy	4	3	4
Cattle	3	3	3
Tree Fruits and Nuts	3	3	3
Nursery/Greenhouse	2	2	2
Other Real Estate	2	2	2
Cotton	2	2	2
Swine	2	2	2
Other	6	8	6
Total	100 %	100 %	100 %

Nonaccrual Loans

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

	December 31,		
(dollars in thousands)	**2023**	**2022**	**2021**
Nonaccrual loans:			
Real estate mortgage	$ 67,440	$ 77,412	$ 90,654
Production and intermediate-term	65,427	68,326	61,663
Agribusiness	16,589	6,779	14,422
Rural infrastructure	2,067	2,966	10,980
Rural residential real estate	24,473	19,200	19,757
Other	65	255	94
Total	$ 176,061	$ 174,938	$ 197,570
Nonaccrual Loans as Percentage of Total Loans	0.43 %	0.46 %	0.57 %

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 remained relatively flat when compared to the prior year and were $176.1 million, or 0.43 percent of total loans at December 31, 2023 and $174.9 million, or 0.46 percent of total loans, at December 31, 2022.

Nonaccrual by Eligibility	December 31, 2023		December 31, 2022		December 31, 2021	
	Total Amount	% of Total	Total Amount	% of Total	Total Amount	% of Total
Tree Fruits and Nuts	$ 36,455	20.71 %	$ 13,580	7.76 %	$ 17,037	8.62 %
Field Crops	25,258	14.35 %	49,393	28.23 %	26,964	13.65 %
Rural Home Loans	24,585	13.96 %	19,239	11.00 %	19,903	10.07 %
Forestry	21,902	12.44 %	11,180	6.39 %	11,282	5.71 %
Poultry	12,970	7.37 %	16,891	9.66 %	22,052	11.16 %
Cattle	10,615	6.03 %	11,115	6.35 %	14,891	7.54 %
Grains	9,481	5.39 %	15,442	8.83 %	14,994	7.59 %
Other	34,795	19.75 %	38,098	21.78 %	70,447	35.66 %
Total	$ 176,061	100.00 %	$ 174,938	100.00 %	$ 197,570	100.00 %

Aging Analysis of Loans

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

	December 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
Real estate mortgage	$ 147,194	$ 30,011	$ 177,205	$ 19,894,541	$ 20,071,746	$ 1,493
Production and intermediate-term	48,814	40,666	89,480	7,424,430	7,513,910	232
Agribusiness	10,601	3,676	14,277	5,229,032	5,243,309	—
Rural infrastructure	—	—	—	3,399,687	3,399,687	—
Rural residential real estate	67,443	11,419	78,862	3,787,947	3,866,809	—
Other	1,744	4,382	6,126	648,637	654,763	4,316
Total	$ 275,796	$ 90,154	$ 365,950	$ 40,384,274	$ 40,750,224	$ 6,041

Prior to the adoption of CECL, the tables below are reported at recorded investment, which includes accrued interest. This change does not have a significant impact on comparability of the figures presented.

	December 31, 2022					
(dollars in thousands)	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 70,488	$ 34,242	$ 104,730	$ 19,615,099	$ 19,719,829	$ 1,144
Production and intermediate-term	31,708	25,075	56,783	7,105,705	7,162,488	38
Agribusiness	9,060	13,861	22,921	4,730,128	4,753,049	10,280
Rural infrastructure	—	—	—	2,390,356	2,390,356	—
Rural residential real estate	45,923	10,730	56,653	3,670,693	3,727,346	1,587
Other	10,272	1,251	11,523	604,161	615,684	1,186
Total	$ 167,451	$ 85,159	$ 252,610	$ 38,116,142	$ 38,368,752	$ 14,235

	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**	**Accruing Loans 90 Days or More Past Due**
Real estate mortgage	$ 58,269	$ 38,576	$ 96,845	$ 18,616,845	$ 18,713,690	$ 405
Production and intermediate-term	18,686	27,058	45,744	6,815,090	6,860,834	220
Agribusiness	1,548	5,185	6,733	3,963,428	3,970,161	—
Rural infrastructure	55,251	10,980	66,231	1,519,611	1,585,842	—
Rural residential real estate	29,956	12,593	42,549	3,402,798	3,445,347	5,781
Other	4,303	458	4,761	487,175	491,936	458
Total	$ 168,013	$ 94,850	$ 262,863	$ 34,804,947	$ 35,067,810	$ 6,864

Allowance for Credit Losses

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

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

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

(dollars in thousands)	Real Estate Mortgage	Production and Intermediate -term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Activity related to allowance for loan losses:							
Balance at December 31, 2022	$ 82,018	$ 65,472	$ 20,146	$ 3,875	$ 8,824	$ 919	$ 181,254
Cumulative effect of change in accounting principle	(14,693)	(23,270)	(1,246)	(758)	12,605	(476)	(27,838)
Charge-offs	(1,998)	(39,956)	(493)	(701)	(283)	—	(43,431)
Recoveries	1,950	2,294	243	41	276	5	4,809
Provision for (reversal of) loan losses	2,793	41,632	3,175	2,583	(316)	122	49,989
Merger adjustment	(7,833)	(4,952)	(1,091)	(74)	(146)	(189)	(14,285)
Balance at December 31, 2023	$ 62,237	$ 41,220	$ 20,734	$ 4,966	$ 20,960	$ 381	$ 150,498
Allowance for unfunded commitments:							
Balance at December 31, 2022	$ 189	$ 2,747	$ 2,727	$ 78	$ 15	$ 48	$ 5,804
Cumulative effect of change in accounting principle	565	791	2,936	463	22	37	4,814
Provision for (reversal of) unfunded commitments	2,052	916	500	(42)	65	27	3,518
Merger adjustment	(434)	(204)	(122)	—	(5)	(6)	(771)
Balance at December 31, 2023	$ 2,372	$ 4,250	$ 6,041	$ 499	$ 97	$ 106	$ 13,365
Allowance for credit losses	$ 64,609	$ 45,470	$ 26,775	$ 5,465	$ 21,057	$ 487	$ 163,863
Activity related to allowance for loan losses:							
Balance at December 31, 2021	$ 98,823	$ 79,314	$ 19,662	$ 5,170	$ 8,341	$ 906	$ 212,216
Charge-offs	(1,220)	(2,179)	(126)	(864)	(1,311)	—	(5,700)
Recoveries	2,801	2,725	291	—	443	—	6,260
Provision for (reversal of) loan losses	(13,907)	(8,740)	5,112	526	1,427	156	(15,426)
Merger adjustment	(4,479)	(5,648)	(4,793)	(957)	(76)	(143)	(16,096)
Balance at December 31, 2022	$ 82,018	$ 65,472	$ 20,146	$ 3,875	$ 8,824	$ 919	$ 181,254
Balance at December 31, 2020	$ 100,824	$ 85,000	$ 19,011	$ 3,683	$ 10,563	$ 1,180	$ 220,261
Charge-offs	(3,175)	(3,896)	(908)	—	(2,065)	—	(10,044)
Recoveries	1,771	2,305	1,201	—	275	—	5,552
Provision for (reversal of) loan losses	(597)	(4,095)	358	1,487	(432)	(274)	(3,553)
Balance at December 31, 2021	$ 98,823	$ 79,314	$ 19,662	$ 5,170	$ 8,341	$ 906	$ 212,216

Subsequent to the adoption of CECL on January 1, 2023, the allowance for loan losses decreased by $2.9 million. This decrease was primarily the result of $43.4 million of charge-offs and the reduction of overall allowance as a result of Association mergers of $14.3 million, partially offset by $50.0 million of provision expense.

Subsequent to the adoption of CECL on January 1, 2023, the allowance for unfunded commitments increased by $2.7 million. This increase was primarily the result of $3.5 million of provision expense, partially offset by a reduction in overall allowance of $771 thousand as the result of Association mergers during 2023.

Allowance for Credit Losses by Eligibility	December 31, 2023		December 31, 2022		December 31, 2021	
	Total Amount	% of Total	Total Amount	% of Total	Amount	% of Total
Rural Home Loans	$ 21,512	13.13 %	$ 8,683	4.64 %	$ 8,417	3.86 %
Poultry	21,077	12.86 %	22,707	12.14 %	32,556	14.93 %
Forestry	16,863	10.29 %	19,253	10.29 %	24,153	11.07 %
Tree Fruits and Nuts	16,280	9.93 %	8,765	4.69 %	9,435	4.33 %
Field Crops	15,096	9.21 %	26,372	14.10 %	25,842	11.85 %
Processing	8,348	5.09 %	8,768	4.69 %	6,199	2.84 %
Cattle	7,648	4.67 %	13,627	7.29 %	16,544	7.59 %
Other	43,674	26.66 %	73,079	39.06 %	89,070	40.83 %
Allowance for Loan Losses	$ 150,498	91.84 %	$ 181,254	96.90 %	$ 212,216	97.30 %
Allowance for Unfunded Commitments	13,365	8.16 %	5,804	3.10 %	5,892	2.70 %
Total Allowance for Credit Losses	$ 163,863	100.00 %	$ 187,058	100.00 %	$ 218,108	100.00 %

Charge-offs during the year ended 2023 were related primarily to borrowers in the tree fruits and nuts segment (56.75 percent of the total) and field crops (31.61 percent of the total) and there were no significant recoveries in an individual industry segment. See *Provision for Credit Losses* section above for additional details regarding provision for credit loss expense. The allowance for loan losses at December 31, 2023 included specific reserves of $21.6 million (14.32 percent of the total) and $128.9 million (85.68 percent) of general reserves. The allowance for credit losses was 0.40 percent, 0.49 percent, and 0.63 percent of total loans outstanding at December 31, 2023, December 31, 2022, and December 31, 2022, respectively.

INVESTMENTS

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

The Bank's investments are primarily classified as available-for-sale. Refer to the Bank's 2023 Annual Report for additional information related to investments. District Associations also have regulatory authority to enter into certain government guaranteed investments, generally mortgage-backed or asset-backed securities. There was no allowance for credit loss on District investments during the years ended December 31, 2023, 2022, and 2021. The following tables summarize the District's investments:

	December 31, 2023			
(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
District Bank investments	$ 9,543,846	$ 4,269	$ (897,704)	$ 8,650,411
District Association investments	105,216	1,487	(1,370)	105,333
Total District investments	$ 9,649,062	$ 5,756	$ (899,074)	$ 8,755,744

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

	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

At December 31, 2023, there were $893.2 million in net unrealized losses in available-for-sale investments, compared to $994.2 million in net unrealized losses and $22.0 million net unrealized gains at December 31, 2022 and 2021, respectively. The net unrealized losses are the result of the significant increase in interest rates since the beginning of 2022 which decreased the fair value of existing available-for-sale fixed-rate investment securities. It is anticipated that these securities will be held until maturity with no loss realized. The Bank approximates it could cover 30 days of maturing debt through the sale of available-for-sale securities before recognizing a loss on sale of assets in the event the Bank could not access the markets to issue debt or raise cash through repurchase agreements.

CAPITAL

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

Total shareholders' equity increased $223.7 million, or 3.40 percent, from December 31, 2022, to $6.8 billion at December 31, 2023. The following table summarizes changes in the District's Capital during the year:

Change in Shareholder's Equity	**Year Ended December 31,**	
(dollars in millions)	**2023**	**2022**
Shareholders' Equity (for prior year)	$ 6,585,151	$ 7,329,678
Increase (decrease) due to:		
Net Income	599,529	762,182
Change in unrealized gains/(losses) on investments	100,966	(1,016,322)
Cash patronage declared	(398,260)	(397,484)
Adjustments due to mergers	(87,606)	(38,959)
Redemption of perpetual preferred stock	—	(32,500)
Other	9,094	(21,444)
Total increase/(decrease) in shareholders' equity	223,723	(744,527)
Shareholder's equity	$ 6,808,874	$ 6,585,151

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

	December 31,		
(dollars in thousands)	**2023**	**2022**	**2021**
Accumulated Other Comprehensive Income (Loss)			
Unrealized gain (loss) on investment securities	$ (893,104)	$ (994,070)	$ 22,252
Derivatives and hedging activity	—	—	201
Employee benefit plans activity	(221,682)	(250,024)	(267,139)
Total accumulated other comprehensive income (loss)	$ (1,114,786)	$ (1,244,094)	$ (244,686)

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 December 31, 2023	Primary Components of Numerator	Regulatory Minimums	Minimum with Buffer	Bank	District Associations
Risk adjusted:					
Common equity tier 1 capital ratio	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	4.50 %	7.00 %	15.37%	15.40% - 32.11%
Tier 1 capital ratio	CET1 capital, non-cumulative perpetual preferred stock	6.00 %	8.50 %	15.37%	15.40% - 32.11%
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 %	15.66%	15.70% - 33.38%
Permanent capital ratio	Retained earnings, common stock, non-cumulative perpetual preferred stock, and subordinated debt, subject to certain limits	7.00 %	7.00 %	15.41%	15.44% - 32.49%
Non-risk adjusted:					
Tier 1 leverage ratio*	Tier 1 capital	4.00 %	5.00 %	6.08%	12.87% - 31.40%
URE and UREE component	URE and URE equivalents	1.50 %	1.50 %	4.64%	10.96% - 31.12%

[1] *Equities outstanding 7 or more years*
[2] *Capped at 1.25% of risk-adjusted assets*
[3] *Outstanding 5 or more years, but less than 7 years*
[4] *Outstanding 5 or more years*
* Must include the regulatory minimum requirement for the URE and UREE Leverage ratio.

EMPLOYEE BENEFIT PLANS

The Bank and thirteen District Associations participate in the multiemployer AgFirst Farm Credit Retirement Plan, which is a qualified defined benefit final average pay plan (FAP Plan). Three District Associations participate in the multiemployer Independent Associations' Retirement Plan (IAR Plan), which is also a qualified defined benefit final average pay plan. In addition to the multiemployer defined benefit plans above, one Association also sponsors a single employer qualified defined benefit plan, the First South Farm Credit, ACA Retirement Plan (FS Plan). In addition, the Bank and 16 District Associations participate in a multiemployer qualified defined benefit other postretirement benefits plan (OPEB Plan), the Farm Credit Benefits Alliance Retiree and Disabled Medical and Dental Plan, and the Bank and all 16 District Associations participate in the Farm Credit Benefits Alliance (FCBA) 401(k) Plan (401(k) Plan), a multiemployer qualified defined contribution 401(k) plan. These plans are qualified plans under the Internal Revenue Code.

The FAP Plan covers eligible employees hired prior to January 1, 2003. The IAR Plan covers eligible employees whose employment date is prior to January 1, 2009. The FS Plan covers eligible employees whose employment date is prior to January 1, 2009. Each plan is noncontributory. The "Projected Unit Credit" actuarial method is used for financial reporting purposes. Pension benefits are primarily based on eligible compensation and years of service. The District entities funded $24.5 million, $26.3 million, and $49.8 million into these retirement plans for each of the three years ended December 31, 2023, 2022, and 2021, respectively. The expenses of these retirement plans included in noninterest expenses were $48.0 million, $20.8 million, and $43.1 million for 2023, 2022, and 2021, respectively. The plans' respective prepaid retirement expenses or liabilities are reflected in Other Assets or Other Liabilities in the District's Balance Sheets.

In addition to providing pension benefits, the District provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the District employees may become eligible for the benefits if they reach early retirement age while working for the Bank or District Associations. Early retirement age is defined as a minimum of age 55 and 10 years of service. Employees hired after December 31, 2002, and employees who separate from service between age 50 and age 55, are required to pay the full cost of their retiree health insurance coverage. In addition, substantially all District employees who retired on or before December 1, 2007, after reaching early retirement age are provided retiree life insurance benefits. The OPEB Plan includes certain other Farm Credit System employees that are not employees of the Bank or District Associations and is accounted for as a multiemployer plan. Thus, the related net benefit plan obligations are not included in the District's Balance Sheets but are included in the Combined Statement of Condition for the Farm Credit System. The OPEB Plan is unfunded with expenses paid as incurred. Postretirement benefits other than pensions included in salaries and employee benefit costs on the District's Statements of Comprehensive Income were $9.5 million for 2023, $8.6 million for 2022, and $8.1 million for 2021. At December 31, 2023, 2022, and 2021, the total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was $161.0 million, $167.9 million, and $209.6 million, respectively.

The District also participates in the defined contribution 401(k) Plan which qualifies as a 401(k) plan as defined by the Internal Revenue Code. The District contributes $0.50 or $1.00 for each $1.00 of the employee's first 6.00 percent of contribution (based on total compensation) up to the maximum employer contribution of 3.00 or 6.00 percent of total compensation, dependent upon each District entity's policy. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees who are not covered under the FAP Plan, the IAR Plan, or the FS Plan. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were $22.3 million, $20.8 million, and $19.2 million for the years ended December 31, 2023, 2022, and 2021, respectively.

In addition to the multiemployer plans above, AgFirst and certain District Associations individually sponsor supplemental defined benefit and defined contribution retirement plans and offer a FCBA supplemental 401(k) plan for certain key employees. These plans are nonqualified; therefore, the associated liabilities are included in the District's Combined Balance Sheets in Other Liabilities. The District entities contributed $1.4 million, $1.3 million, and $1.3 million for the years ended December 31, 2023, 2022, and 2021, respectively, into these supplemental retirement plans. The supplemental retirement plans are unfunded and had a projected benefit obligation of $25.8 million and a net under-funded status of $25.8 million at December 31, 2023. The expenses of these nonqualified plans included in the District's noninterest expenses were $2.0 million, $3.4 million, and $3.0 million for the years ended December 31, 2023, 2022, and 2021, respectively.

The funding status and the amounts recognized in the Combined Balance Sheet of the District for postretirement benefit plans follows:

	Pension Benefits			
(dollars in thousands)	**FAP Plan**	**IAR Plan**	**FS Plan**	**Unfunded Benefit Plans**
December 31, 2023				
Projected benefit obligations	$ 735,796	$ 59,721	$ 104,620	$ 25,846
Fair value of plan assets	702,136	51,728	100,274	—
Funded (unfunded) status	(33,660)	(7,993)	(4,346)	(25,846)
Accumulated benefit obligation	$ 699,557	$ 52,272	$ 98,458	$ 23,155
Assumptions used to determine benefit obligations:				
Discount rate	5.00 %	5.10 %	5.00 %	5.00 %
Expected long-term rate of return	5.90 %	5.80 %	6.50 %	N/A*
Rate of compensation increase	4.00 %	5.20 %	5.20 %	Varies

(dollars in thousands)	Pension Benefits FAP Plan	IAR Plan	FS Plan	Unfunded Benefit Plans
December 31, 2022				
Projected benefit obligations	$ 776,836	$ 63,875	$ 101,008	$ 24,652
Fair value of plan assets	744,268	56,540	89,963	—
Funded (unfunded) status	(32,568)	(7,335)	(11,045)	(24,652)
Accumulated benefit obligation	$ 737,738	$ 56,448	$ 95,336	$ 21,797
Assumptions used to determine benefit obligations:				
Discount rate	2.95 %	5.25 %	5.20 %	5.20 %
Expected long-term rate of return	4.65 %	6.30 %	6.50 %	N/A*
Rate of compensation increase	3.90 %	5.20 %	5.00 %	Varies

(dollars in thousands)	Pension Benefits FAP Plan	IAR Plan	FS Plan	Unfunded Benefit Plans
December 31, 2021				
Projected benefit obligations	$ 1,021,039	$ 89,065	$ 130,983	$ 32,222
Fair value of plan assets	981,904	80,379	115,078	—
Funded (unfunded) status	(39,135)	(8,686)	(15,905)	(32,222)
Accumulated benefit obligation	$ 957,177	$ 76,911	$ 120,802	$ 27,608
Assumptions used to determine benefit obligations:				
Discount rate	2.95 %	3.10 %	2.95 %	2.90 %
Expected long-term rate of return	4.65 %	4.30 %	6.50 %	N/A*
Rate of compensation increase	3.90 %	5.10 %	5.00 %	Varies

**Not applicable*

REGULATORY MATTERS

On February 8, 2024, the FCA approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) exposures by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent. The rule would further align the FCA's risk-weightings with federal banking regulators and recognizes the increased risk posed by HVCRE exposures. The final rule excludes certain acquisition, development and construction loans that do not present as much risk and therefore do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated for less than $500,000. The final rule will become effective on January 1, 2025.

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

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

On April 14, 2022, the FCA approved a final rule that amends certain regulations to address changes in accounting principles generally accepted in the United States. Such changes reflect the Current Expected Credit Losses (CECL) methodology that replaced the incurred loss methodology upon adoption. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities are included in a System institution's Tier 2 capital up to 1.25 percent of the System institution's total risk weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets are not eligible for inclusion in a System institution's Tier 2 capital. The regulation did not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. In addition, the regulation did not 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 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 2023 annual report for a discussion of the Bank's funding to District Associations.

At December 31, 2023, one Association (0.51 percent of total Direct Note), was operating under a special credit agreement with the Bank pursuant to the GFA and classified as Substandard.

2023 Association Merger Activity

Following approval by AgFirst, the FCA, and shareholders, effective January 1, 2023, Cape Fear Farm Credit, ACA merged with and into AgCarolina Farm Credit, ACA. Combined total assets for the merged Association were $2.7 billion as of December 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 the merged entity were $4.3 billion as of December 31, 2023.

LIBOR Transition

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

Leading up to the discontinuance of LIBOR on June 30, 2023, the Bank and Associations implemented LIBOR transition plans in accordance with FCA's guidance to address the risks associated with the discontinuation of LIBOR.

To the extent necessary, substantially all financial instruments that reference LIBOR have been amended to incorporate adequate fallbacks, including, where appropriate, the Secured Overnight Financing Rate (SOFR)-based fallbacks recommended by the Alternative Reference Rates Committee (ARRC).

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

The District's variable-rate financial instruments outstanding with LIBOR exposure as of December 31, 2023 equaled less than 0.1% of District assets.

Balance Sheets

(unaudited)

(dollars in thousands)	As of December 31, 2023	2022	2021
Assets			
Cash	**$ 658,758**	$ 750,899	$ 630,194
Cash equivalents	**835,000**	350,000	400,000
Investments in debt securities	**8,755,808**	9,101,416	9,367,610
Loans	**40,750,224**	38,103,069	34,861,495
Allowance for loan losses	**(150,498)**	(181,254)	(212,216)
Net loans	**40,599,726**	37,921,815	34,649,279
Loans held for sale	**71,888**	1,720	8,382
Accrued interest receivable	**372,401**	296,439	229,090
Accounts receivable	**58,956**	53,540	76,301
Equity investments in other Farm Credit institutions	**65,497**	62,823	57,455
Other Investments	**6,658**	3,902	2,426
Premises and equipment, net	**330,180**	294,045	249,421
Other property owned	**4,394**	4,310	6,285
Other assets	**67,299**	66,587	67,318
Total assets	**$ 51,826,565**	$ 48,907,496	$ 45,743,761
Liabilities			
Systemwide bonds payable	**$ 39,197,358**	$ 35,233,552	$ 31,440,802
Systemwide notes payable	**4,780,008**	6,186,573	6,123,570
Accrued interest payable	**244,994**	142,782	41,735
Accounts payable	**490,083**	485,684	528,778
Advanced conditional payments	**31,756**	9,548	10,991
Other liabilities	**273,492**	264,206	268,207
Total liabilities	**45,017,691**	42,322,345	38,414,083
Shareholders' Equity			
Perpetual preferred stock	**—**	—	32,500
Protected borrower equity	**445**	445	446
Capital stock and participation certificates	**184,936**	191,247	189,018
Additional paid-in-capital	**516,563**	354,575	87,363
Retained earnings			
Allocated	**2,238,228**	2,398,494	2,312,926
Unallocated	**4,983,488**	4,884,484	4,952,111
Accumulated other comprehensive loss	**(1,114,786)**	(1,244,094)	(244,686)
Total shareholders' equity	**6,808,874**	6,585,151	7,329,678
Total liabilities and equity	**$ 51,826,565**	$ 48,907,496	$ 45,743,761

Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the year ended December 31, 2023	2022	2021
Interest Income			
Investments	**$ 327,844**	$ 201,312	$ 132,955
Loans	**2,380,137**	1,698,585	1,399,131
Other	**18,787**	5,031	142
Total interest income	**2,726,768**	1,904,928	1,532,228
Interest Expense	**1,393,477**	557,328	187,955
Net interest income	**1,333,291**	1,347,600	1,344,273
Provision for (reversal of) credit losses	**53,507**	(15,426)	(3,553)
Net interest income after provision for (reversal of) credit losses	**1,279,784**	1,363,026	1,347,826
Noninterest Income			
Loan fees	**39,258**	40,379	52,979
Fees for financially related services	**23,286**	21,280	19,826
Gains on investments, net	**—**	—	330
(Losses) gains on debt extinguishment	**(6,515)**	56	(9,204)
Gains on other transactions	**2,227**	2,986	11,392
Patronage refunds from other Farm Credit institutions	**25,024**	21,572	15,211
Other noninterest income	**6,534**	6,792	7,417
Total noninterest income	**89,814**	93,065	97,951
Noninterest Expenses			
Salaries and employee benefits	**393,493**	373,910	354,054
Occupancy and equipment	**29,293**	29,049	27,365
Insurance Fund premiums	**66,703**	67,093	47,212
Purchased services	**79,084**	74,212	58,426
Data processing	**52,345**	38,454	31,506
Other operating expenses	**148,681**	114,154	113,530
Gains from other property owned	**(245)**	(4,821)	(300)
Total noninterest expenses	**769,354**	692,051	631,793
Income before income taxes	**600,244**	764,040	813,984
Provision for income taxes	**715**	1,858	1,724
Net income	**$ 599,529**	$ 762,182	$ 812,260
Other comprehensive income (loss):			
Unrealized gains (losses) on investments	**$ 100,966**	$ (1,016,322)	$ (168,540)
Change in value of cash flow hedges	**—**	(201)	(86)
Employee benefit plans adjustments	**28,342**	17,115	89,290
Other comprehensive income (loss)	**129,308**	(999,408)	(79,336)
Comprehensive income (loss)	**$ 728,837**	$ (237,226)	$ 732,924

DISTRICT ASSOCIATIONS

As of December 31, 2023

Associations	Direct Notes	% of Direct Note Total	Total Assets	Total Allowance and Capital	Total Regulatory Capital Ratio	Nonperforming Loans as a % of Total Loans	ROA
(dollars in thousands)							
Horizon Farm Credit, ACA	$ 5,474,772	22.40 %	$ 6,824,195	$ 1,221,559	15.70 %	0.46 %	2.03 %
AgSouth Farm Credit, ACA	3,385,232	13.85	4,299,022	814,262	18.67	0.38	2.27
Ag Credit, ACA	2,763,385	11.30	3,323,040	512,794	18.78	0.28	1.99
First South Farm Credit, ACA	2,495,740	10.21	3,188,942	640,811	17.82	0.28	1.97
AgCarolina Farm Credit, ACA	2,155,900	8.82	2,734,669	512,303	17.86	0.46	2.33
Farm Credit of the Virginias, ACA	1,709,056	6.99	2,247,912	492,428	21.15	1.23	1.81
Farm Credit of Florida, ACA	1,246,767	5.10	1,636,084	360,610	19.27	0.44	1.73
AgGeorgia Farm Credit, ACA	1,114,204	4.56	1,441,437	287,158	19.33	0.50	1.99
Farm Credit of Central Florida, ACA	844,626	3.46	1,007,995	140,733	15.95	0.63	1.33
Colonial Farm Credit, ACA	609,306	2.49	831,735	203,261	23.71	0.22	2.02
Central Kentucky, ACA	588,371	2.41	742,290	146,351	19.71	0.17	1.90
Southwest Georgia Farm Credit, ACA	585,237	2.39	729,818	132,184	17.49	0.86	1.93
ArborOne, ACA	559,065	2.29	696,742	128,942	17.99	0.38	1.93
River Valley AgCredit, ACA	494,821	2.02	641,613	127,718	19.12	0.93	1.52
Farm Credit of Northwest Florida, ACA	300,170	1.23	405,208	96,465	23.31	—	1.86
Puerto Rico Farm Credit, ACA	118,582	0.49	180,842	61,483	33.38	2.22	(0.46)

AgFirst Farm Credit Bank

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803-799-5000
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419-435-7758
www.agcredit.net

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468 Perry Parkway
Perry, GA 31069
478-987-8300
www.aggeorgia.com

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

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www.arborone.com

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