2022 FIRST QUARTER REPORT

AGFIRST FARM CREDIT BANK

MEETING THE MOMENT

First QUARTER 2022

Table of Contents

CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2022 quarterly report of AgFirst Farm Credit Bank, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

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

Leon T. Amerson
Chief Executive Officer & President

Stephen Gilbert
Chief Financial Officer

May 9, 2022

Report on Internal Control Over Financial Reporting

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

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

The Bank's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2022. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Bank's management concluded that as of March 31, 2022, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Bank's management determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2022.

Leon T. Amerson
Chief Executive Officer & President

Stephen Gilbert
Chief Financial Officer

May 9, 2022

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

The following discussion reviews the financial condition and results of operations of AgFirst Farm Credit Bank (AgFirst or Bank) as of and for the three months ended March 31, 2022. These comments should be read in conjunction with the accompanying financial statements, the Notes to the Financial Statements, and the 2021 Annual Report of AgFirst Farm Credit Bank. AgFirst and its related associations (Associations or District Associations) are collectively referred to as the District. The accompanying financial statements were prepared under the oversight of the Audit Committee of the AgFirst Board of Directors.

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

FORWARD-LOOKING INFORMATION

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

There have been no material changes to the risks described in the Bank's 2021 Annual Report. Terms not defined herein have the meaning set forth in the 2021 Annual Report.

BUSINESS OVERVIEW

In response to the COVID-19 pandemic, and without disruption to operations, AgFirst transitioned the vast majority of its employees to working remotely in mid-March 2020. The Bank returned to its headquarters in late-March 2022 under a hybrid arrangement which generally allows employees to work two days remote on a weekly basis.

FINANCIAL CONDITION

Loan Portfolio

Loans outstanding totaled $28.641 billion at March 31, 2022, an increase of $105.5 million, or 0.37 percent, compared to total loans outstanding at December 31, 2021 and an increase of $2.588 billion, or 9.93 percent, since March 31, 2021.

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

Loan Portfolio	**March 31,**	**December 31,**	**March 31,**	**March 2022 Compared to December 2021**		**March 2022 Compared to March 2021**	
(dollars in thousands)	**2022**	**2021**	**2021**	**$ Change**	**% Change**	**$ Change**	**% Change**
Direct Notes*	$ 19,441,462	$ 19,739,633	$ 17,731,481	$ (298,171)	(1.51)%	$1,709,981	9.64 %
Participations/Syndications Purchased, net*	6,085,919	5,724,229	5,216,406	361,690	6.32 %	869,513	16.67 %
Correspondent Lending	2,954,906	2,912,759	2,967,465	42,147	1.45 %	(12,559)	(0.42)%
Loans to OFIs	158,916	159,061	137,785	(145)	(0.09)%	21,131	15.34 %
Total	$ 28,641,203	$ 28,535,682	$ 26,053,137	$ 105,521	0.37 %	$2,588,066	9.93 %

	Portfolio Distribution		
	March 31, 2022	**December 31, 2021**	**March 31, 2021**
Direct Notes*	67.88 %	69.18 %	68.06 %
Participations/Syndications Purchased, net*	21.25 %	20.06 %	20.02 %
Correspondent Lending	10.32 %	10.20 %	11.39 %
Loans to OFIs	0.55 %	0.56 %	0.53 %
Total	100.00 %	100.00 %	100.00 %

**Net of participations sold.*

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

Loan growth in the combined District portfolio since December 31, 2021 was primarily due to growth in the utilities, nursery/greenhouse, and processing segments. Compared to March 31, 2021, the year-over-year increase in loan growth was primarily in the forestry, field crops, processing, utilities, grains, and nursery/greenhouse segments. See *Direct Notes*, *Participations/Syndications*, and *Correspondent Lending* sections below for further discussion of loan variances.

Credit Quality

Credit quality of AgFirst's loans is shown below:

	Total Loan Portfolio Credit Quality as of:		
Classification	**March 31, 2022**	**December 31, 2021**	**March 31, 2021**
Acceptable	99.55 %	99.45 %	93.85 %
OAEM *	0.25 %	0.34 %	5.96 %
Substandard/doubtful/loss	0.20 %	0.21 %	0.19 %

**Other Assets Especially Mentioned.*

The table above reflects credit quality improvement during the first quarter of 2022 compared to both prior periods presented. The first quarter improvement compared to the corresponding period in 2021 was primarily due to the classification change from OAEM to acceptable of a Direct Note to an Association. At March 31, 2022, this Association's Direct Note totaled approximately $2.077 billion.

While Bank credit quality reflects overall improvement for the current period, it may deteriorate in future quarters in response to potential changes in government support for agricultural sectors, inflationary input cost pressures, and unforeseen impacts from geopolitical, trade, supply chain, weather, avian flu or agriculture-related events. See the *Direct Notes*, *Participations/Syndications*, and *Correspondent Lending* sections below for further discussion of the Bank's loan portfolio and credit quality.

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.

Direct Notes

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

At March 31, 2022, the total Direct Note volume outstanding was $19.441 billion, a decrease of $298.2 million, or 1.51 percent, compared to December 31, 2021. The decrease is primarily attributed to Bank patronage payments to Associations of approximately $440.3 million which were applied to the Association Direct Notes at the beginning of 2022. Compared to March 31, 2021, Direct Note volume increased $1.710 billion, or 9.64%. See the *Loan Portfolio* section above for the primary reasons for the change in Direct Notes.

	Direct Note Credit Quality as of:					
	March 31, 2022		December 31, 2021		March 31, 2021	
Classification	% Total	# Total	% Total	# Total	% Total	# Total
Acceptable	100.00 %	19	100.00 %	19	91.99 %	18
OAEM *	— %	—	— %	—	8.01 %	1
Substandard/doubtful/loss	— %	—	— %	—	— %	—

**Other Assets Especially Mentioned*

At March 31, 2022, no District Associations were operating under a written agreement with the FCA, and none were operating under a special credit agreement pursuant to the GFA.

Presently, collection of the full Direct Note amount due is expected from all Associations in accordance with the contractual terms of the debt arrangements, and no allowance has been recorded for Direct Notes. Virtually all assets of the various Associations are pledged as collateral for their respective Direct Notes. In the opinion of management, all Association Direct Notes are adequately collateralized. The risk funds of an Association, including both capital and the allowance for loan losses, also protect the interest of the Bank should a Direct Note default.

Participations/Syndications

The Participations/Syndications portfolio consists of loan participations and syndications purchased primarily from other System institutions, commercial banks, and other lenders. As of March 31, 2022, this portfolio totaled $6.086 billion, an increase of $361.7 million, or 6.32 percent, from December 31, 2021 and an increase of $869.5 million, or 16.67 percent, from March 31, 2021. The increase from December 31, 2021 was primarily due to growth in the utilities and processing segments. When compared to March 31, 2021, the growth was primarily in the processing, utilities, and forestry segments. Growth in both periods came from a combination of factors including new client acquisition, customers restructuring their balance sheet to take advantage or the current rate environment, liquidity needs due to commodity price escalation, and merger and acquisition activity.

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

Credit quality for the participations/syndications portfolio is shown in the following chart:

	Participations/Syndications Credit Quality as of:		
Classification	**March 31, 2022**	**December 31, 2021**	**March 31, 2021**
Acceptable	98.11 %	97.53 %	96.77 %
OAEM*	1.17 %	1.68 %	2.54 %
Substandard/doubtful/loss	0.72 %	0.79 %	0.69 %

**Other Assets Especially Mentioned.*

Correspondent Lending

The Correspondent Lending portfolio consists primarily of purchased first lien residential mortgages. As of March 31, 2022, the Correspondent Lending portfolio totaled $2.955 billion, an increase of $42.1 million, or 1.45 percent, from December 31, 2021 and a decrease of $12.6 million, or 0.42 percent, from March 31, 2021. A significant portion of AgFirst's purchase volume has traditionally consisted of construction-to-permanent loans. Demand for construction-to-permanent was adversely affected by modifications of qualification standards established by loan insurers in response to the COVID-19 pandemic. Qualification standards returned to pre-pandemic standards during the third quarter of 2021 which has resulted in an increase in purchase activity. Due to the timing of the modification to qualification standards, the portfolio balance declined slightly when compared to March 31, 2021, and increased since December 31, 2021.

As of March 31, 2022, $685.1 million, or 23.19 percent of loans in the Correspondent Lending portfolio include a long-term standby commitment to purchase (LTSP). The LTSPs from the Federal National Mortgage Association (Fannie Mae) and/or Federal Agricultural Mortgage Corporation (Farmer Mac), give AgFirst the right to deliver delinquent loans to the guarantor at par. The balance of guaranteed loans will continue to decline as the LTSP program is no longer being utilized.

At March 31, 2022, 99.52 percent of the total Correspondent Lending loans, including accrued interest, was classified as acceptable and 0.48 percent was classified as substandard compared to 99.48 percent acceptable and 0.52 percent substandard at December 31, 2021. There were no loans classified as OAEM for the periods presented.

Nonaccrual Loans

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans for the Bank totaled $33.5 million at March 31, 2022 compared to $35.2 million at December 31, 2021. At March 31, 2022, total nonaccrual loans were primarily classified in the rural home loan (47.99 percent of the total), utilities (32.73 percent), and tobacco (15.94 percent) segments. At December 31, 2021, total nonaccrual loans were primarily classified in the rural home loan (49.17 percent of the total), utilities (31.27 percent), and tobacco (15.25 percent) segments. Nonaccrual loans were 0.12 percent of total loans outstanding at March 31, 2022 and 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 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. TDRs totaled $34.4 million at March 31, 2022, an increase of $4.8 million since December 31, 2021 primarily as a result of loan modifications at the end of the pandemic-related forbearance programs offered by FNMA. TDRs at March 31, 2022 were comprised of $30.0 million of accruing restructured loans and $4.4 million of nonaccrual restructured loans. Restructured loans were primarily in the rural home loan (82.29 percent of the total) segment.

Other Property Owned

Other property owned (OPO) consists primarily of assets once pledged as loan collateral that were acquired through foreclosure or deeded to the Bank (or a lender group) in satisfaction of secured loans. OPO may be comprised of real estate, equipment, and equity interests in companies or partnerships. The Bank had no OPO at both March 31, 2022 and December 31, 2021.

Allowance for Loan Losses

The Bank maintains an allowance for loan losses at a level management considers adequate to provide for probable and estimable credit losses within the loan portfolio as of each reported balance sheet date. The allowance for loan losses was $20.7 million at March 31, 2022, as compared with $20.1 million at December 31, 2021. The allowance at March 31, 2022 included specific reserves of $2.5 million (12.10 percent of the total) and general reserves of $18.2 million (87.90 percent). See *Provision for Loan Losses* section below for additional details regarding loan loss provision expense and reversals included in the net provision expense of $1.3 million recorded during the three months ended March 31, 2022.

The total allowance at March 31, 2022 was comprised primarily of reserves for the rural home loan (26.81 percent of the total), processing (16.71 percent), utilities (16.17 percent), tree fruits and nuts (7.36 percent), forestry (6.15 percent) and field crops (5.12 percent) segments. The allowance for loan losses was 0.07 percent of total loans outstanding at both March 31, 2022 and December 31, 2021. See Note 2, *Loans and Allowance for Loan Losses*, in the Notes to the Financial Statements for further information.

Interest Rate Risk Management

At March 31, 2022, the Bank's twelve-month Cumulative Repricing/Maturity Gap was a $161.1 million liability sensitive position, meaning the volume of repricing/maturing liabilities exceeded the volume of assets that mature or reprice during that time period. An asset sensitive position generally implies an increase in net interest income in rising interest rate scenarios and lower net interest income in falling interest rate scenarios. However, a gap analysis does not capture the optionality that is inherent in some of the Bank's assets and liabilities. For example, during a period of rising interest rates, call options on fixed-rate debt may not be exercised and prepayment options on fixed-rate assets also slow as the economic incentive for borrowers to refinance decreases. In contrast, during a period of falling interest rates, call options on debt may be exercised and prepayment activity on loans increases. To supplement the Repricing/Maturity Gap analysis, the Bank utilizes a financial simulation model for measuring interest rate sensitivity of net interest income and market value of equity.

The following tables represent AgFirst's projected change over the next twelve months in net interest income and market value of equity for various rate movements as of March 31, 2022. Interest rate sensitivity for net interest income and market value of equity have not changed significantly since December 31, 2021. The upward and downward shocks are generally based on movements in interest rates which are considered significant enough to capture the effects of embedded options and convexity within the assets and liabilities so that underlying risk may be revealed.

Net Interest Income
(dollars in thousands)

Scenarios	Net Interest Income	$ Change	% Change
+4.0% Shock	$614,965	$(7,480)	(1.20)%
+2.0% Shock	$620,856	$(1,589)	(0.26)%
Base line **	$622,445	—	—
-50% of 3M Tbill ***	$619,751	$(2,694)	(0.43)%

Market Value of Equity
(dollars in thousands)

Scenarios	Assets	Liabilities*	Equity*	$ Change	% Change
Book Value	$39,086,961	$37,085,256	$2,001,705	—	—
+4.0% Shock	$34,040,270	$32,461,837	$1,578,433	$(649,978)	(29.17)%
+2.0% Shock	$35,878,774	$34,028,622	$1,850,152	$(378,259)	(16.97)%
Base line **	$37,976,226	$35,747,815	$2,228,411	—	—
-50% of 3M Tbill ***	$38,263,807	$35,974,755	$2,289,052	$60,641	2.72%

* *For interest rate risk management, the $32.5 million perpetual preferred stock is included in liabilities rather than equity.*

** *Base line uses rates as of the balance sheet date before application of any interest rate shocks.*

*** *When the three-month Treasury bill interest rate is less than 4 percent, both the minus 200 and minus 400 basis point shocks are replaced with a downward shock which is equal to one-half of the three-month Treasury bill rate. At March 31, 2022, this downward shock was 26 basis points.*

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 Bank 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	10.2%	0.2%
Loans	302	3,029	3,331	10.6%	1.1%
Total Assets	$ 302	$ 3,959	$ 4,261	10.1%	0.9%
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 Bank is evaluating all variable rate instruments and actively monitoring LIBOR exposure of the financial instruments listed in the table above as part of its LIBOR transition Plan (Plan). The Plan includes implementing fallback language into variable-rate financial instruments which provides the ability to move these instruments to another index if the LIBOR market is no longer viable. In accordance with the Plan, 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.

Additionally, the Bank has exposure to variable-rate financial instruments outstanding with LIBOR exposure through direct notes to Associations. Therefore, the following is a summary of total Association 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	$ —	$ —	$ —	N/A	N/A
Loans	175	1,433	1,608	5.5%	0.6%
Total Assets	$ 175	$ 1,433	$ 1,608	5.3%	0.6%
Systemwide debt securities	$ —	$ —	$ —	N/A	N/A
Preferred stock	—	—	—	N/A	N/A
Total Liabilities and Equity	$ —	$ —	$ —	N/A	N/A

Liquidity and Funding Sources

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

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

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

The System does not have a guaranteed line of credit from the U.S. Treasury or the Federal Reserve. However, the Farm Credit System Insurance Corporation (FCSIC) has an agreement with the Federal Financing Bank (FFB), a federal instrumentality subject to the supervision and direction of the U.S. Treasury, pursuant to which the FFB could advance funds to the FCSIC. Under its existing statutory authority, the FCSIC may use these funds to provide assistance to the System banks in exigent market circumstances which threaten the banks' ability to pay maturing debt obligations. The agreement provides for advances of up to $10 billion and terminates on September 30, 2022, unless otherwise renewed. The decision whether to seek funds from the FFB is at the discretion of the FCSIC. Each funding obligation of the FFB is subject to various terms and conditions and, as a result, there can be no assurance that funding would be available if needed by AgFirst or the System.

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

At March 31, 2022, AgFirst had $36.919 billion in total debt outstanding compared to $36.357 billion at December 31, 2021, an increase of $562.5 million, or 1.55 percent.

To mitigate the risk of a disruption in the Bank's ability to issue debt securities, the Bank has investment securities repurchase agreements in place with several commercial banks for commitments totaling approximately $6.050 billion. A standard repurchase agreement involves the acquisition of immediately available funds through the sale of securities with a simultaneous commitment to repurchase the same securities on a certain date within one year at a specified price, including interest at an agreed upon rate. In addition, the System has established lines of credit in the event contingency funding is needed to meet obligations of System banks.

Cash and cash equivalents, which decreased $208.9 million from December 31, 2021 to a total of $816.4 million at March 31, 2022, consist primarily of cash on deposit and money market securities that are short-term in nature (maturities of overnight to 90 days). Incremental movements in cash and cash equivalents balances between reporting periods are due primarily to changes in liquidity needs. The balance decreased during the first quarter primarily due to fewer market opportunities for reverse repurchase agreements.

Investments in debt securities totaled $9.155 billion, or 23.42 percent of total assets at March 31, 2022, compared to $9.337 billion, or 23.77 percent as of December 31, 2021, a decrease of $181.5 million, or 1.94 percent. The majority of investments, $9.137 billion as of March 31, 2022, are classified as being available for sale. Available-for-sale investments at March 31, 2022 included $190.0 million in U.S. Treasury securities, $4.262 billion in U.S. government guaranteed securities, $4.479 billion in U.S. government agency guaranteed securities, and $205.7 million in non-agency asset-backed securities. Since the majority of the portfolio is invested in U.S. government guaranteed and agency securities, the portfolio is highly liquid and potential credit loss exposure is limited. See Note 3, *Investments*, in the Notes to the Financial Statements for further information regarding types of securities that may be held under applicable FCA guidelines.

Management maintains the available-for-sale liquidity investment portfolio size generally proportionate with that of the loan portfolio and within regulatory and policy guidelines which provide that a System bank may hold certain eligible available-for-sale investments in an amount not to exceed 35.00 percent of its quarterly average daily balance of loans outstanding. Based upon FCA guidelines, at March 31, 2022, the Bank's eligible available-for-sale investments were 33.87 percent of its quarterly average daily balance of loans outstanding.

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

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

At March 31, 2022, AgFirst met each of the individual level criteria above and had a total of 245 days of maturing debt coverage compared to 235 days at December 31, 2021. The increase resulted from a change in the timing of upcoming debt maturities. Cash provided by the Bank's operating activities is an additional source of liquidity for the Bank that is not reflected in the coverage calculation.

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

Capital

Total shareholders' equity decreased $268.6 million, or 11.66 percent, from December 31, 2021 to $2.034 billion at March 31, 2022. This decrease is primarily attributed to a decrease in unrealized gains on investments of $381.4 million due to an increase in interest rates which decreased the fair value of existing available-for-sale fixed-rate investment securities, partially offset by an increase in retained earnings from net income of $112.7 million.

Regulatory Capital Ratios

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

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

	Regulatory Minimum, Including Buffer*	3/31/22	12/31/21	3/31/21
Permanent Capital Ratio	7.00 %	15.46 %	18.73 %	17.34 %
Common Equity Tier 1 (CET1) Capital Ratio	7.00 %	15.21 %	18.47 %	16.95 %
Tier 1 Capital Ratio	8.50 %	15.43 %	18.70 %	17.32 %
Total Regulatory Capital Ratio	10.50 %	15.58 %	18.85 %	17.46 %
Tier 1 Leverage Ratio**	5.00 %	5.86 %	6.87 %	6.37 %
Unallocated Retained Earnings (URE) and URE Equivalents	1.50 %	5.00 %	6.09 %	5.49 %

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

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

For all periods presented, AgFirst exceeded minimum regulatory requirements for all of the ratios. The Bank's capital ratios declined at March 31, 2022 compared to December 31, 2021 and March 31, 2021 due primarily to the distribution of 2021 cash patronage of $463.6 million on December 31, 2021, which represented approximately 95.38 percent of 2021 net income. Because the capital ratios are calculated using a three-month average daily balance, the full impact of this reduction in capital was reflected in the ratios as of March 31, 2022. Compared to March 31, 2021, the capital ratios decreased primarily due to an increase in total assets and risk-weighted assets. See the *Capital* section below for further discussion.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2022 was $112.7 million compared to $123.9 million for the three months ended March 31, 2021, a decrease of $11.2 million, or 9.03 percent. See below for further discussion of the change in net income by major components.

Key Results of Operations Comparisons

	Annualized for the Three Months Ended March 31, 2022	For the Year Ended December 31, 2021	Annualized for the Three Months Ended March 31, 2021
Return on average assets	1.18 %	1.31 %	1.40 %
Return on average shareholders' equity	20.17 %	18.33 %	20.00 %
Net interest margin	1.66 %	1.78 %	1.86 %
Operating expense as a percentage of net interest income and noninterest income	30.93 %	28.22 %	26.15 %
Net (charge-offs) recoveries to average loans	(0.01)%	(0.01)%	(0.01)%

The annualized return on average assets, return on average shareholders' equity net interest margin, and operating expense as a percentage of net interest income and noninterest income were all negatively impacted by lower net interest spread (i.e. the difference between the yield on earning assets and the cost of interest-bearing liabilities) for the first three months of 2022 compared to the same period in 2021 and to the year ended December 31, 2021. Despite lower net income, the return on average shareholder's equity was higher primarily due to the reduction in total shareholder's equity as discussed above. For the operating expense as a percentage of net interest income and noninterest expense ratio, operating expense consists of noninterest expenses excluding losses (gains) from other property owned, and includes purchased services, and data processing. The operating expense as a percentage of net interest income and noninterest income ratio was also negatively impacted by higher other operating expense discussed in the *Noninterest Expenses* section below.

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

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

Net Interest Income

Net interest income for the three months ended March 31, 2022 was $155.9 million compared to $160.7 million for the same period of 2021, a decrease of $4.8 million, or 2.98 percent. The net interest margin, which is net interest income as a percentage of average earning assets, was 1.66 percent, a decrease of 20 basis points for the first quarter of 2022 compared to the same period in the prior year.

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	$ 16,004	$ (2,586)	$ 13,418
Investments & Cash Equivalents	2,002	2,955	4,957
Other	1	11	12
Total Interest Income	18,007	380	18,387
Interest Expense:			
Interest-Bearing Liabilities	4,855	18,318	23,173
Changes in Net Interest Income	$ 13,152	$ (17,938)	$ (4,786)

Provision for Loan Losses

AgFirst measures risks inherent in its loan portfolio on an ongoing basis and, as necessary, recognizes provision for loan loss expense so that appropriate reserves for loan losses are maintained. Loan loss provision was a net expense of $1.3 million for the three months ended March 31, 2022 compared to a net expense of $1.1 million for the three months ended March 31, 2021.

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

For the three month period ended March 31, 2021, the provision for loan losses included provision expense for specific reserves of $326 thousand and provision expense for general reserves of $758 thousand. Total provision expense for the three months ended March 31, 2021 primarily related to borrowers in the utilities ($919 thousand) and processing ($232 thousand) segments, partially offset by provision reversals in the forestry ($461 thousand) segment.

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

Noninterest Income

The following table illustrates the changes in noninterest income:

Change in Noninterest Income	**For the Three Months Ended March 31,**		
(dollars in thousands)	**2022**	**2021**	**Increase/ (Decrease)**
Loan fees	$ 2,966	$ 3,028	$ (62)
Losses on debt extinguishment	—	(2,220)	2,220
Gains on other transactions	681	1,236	(555)
Patronage refunds from other Farm Credit institutions	2,375	4,401	(2,026)
Other noninterest income	3,068	2,016	1,052
Total noninterest income	$ 9,090	$ 8,461	$ 629

For the three months ended March 31, 2022 compared to the corresponding period in 2021, noninterest income increased $629 thousand. Significant line item dollar variances are discussed below.

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 during the first quarter of 2022 due to the rising interest rate environment compared to $2.691 billion during the corresponding period in 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. See *Net Interest Income* section above for further discussion.

For the three months ended March 31, 2022, patronage refunds from other Farm Credit institutions decreased $2.0 million as compared to the three months ended March 31, 2021, primarily as a result of a $1.6 million nonrecurring special patronage received during the first quarter of 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	$ 18,873	$ 19,720	$ (847)
Occupancy and equipment	1,856	1,834	22
Insurance Fund premiums	4,963	4,332	631
Purchased services	13,097	7,588	5,509
Data processing	6,968	5,467	1,501
Other operating expenses	5,283	5,295	(12)
Losses from other property owned	—	(33)	33
Total noninterest expenses	$ 51,040	$ 44,203	$ 6,837

Noninterest expenses for the three months ended March 31, 2022 increased $6.8 million compared to the corresponding period in 2021. Significant line item dollar variances are discussed below.

The Bank operates as the centralized service provider for the District Associations which results in costs incurred at the Bank that are expected to be offset through efficiencies gained at District Associations. As a result of significant technology initiatives, purchased services increased by $5.5 million when compared to the same period in the prior year. The increase in purchased services is primarily due to $11.9 million in higher contractor and professional fees, partially offset by $5.8 million in deferred capital project expenses.

REGULATORY MATTERS

Capital

The following quantitative disclosures contain regulatory disclosures as required for the Bank under Regulation §628.62 and §628.63 for risk-adjusted ratios: common equity tier 1, tier 1 capital and total regulatory capital ratios. As required, these disclosures are made available for at least three years and can be accessed via AgFirst's website at www.agfirst.com.

SCOPE OF APPLICATION

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

As of March 31, 2022, the AgFirst District consisted of the Bank and 19 District Associations. All 19 were structured as Agricultural Credit Association (ACA) holding companies, with Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries. AgFirst is owned jointly by these 19 Associations, certain Other Financing Institutions (OFIs), other System institutions, and preferred stockholders. The Bank does not have any subsidiaries requiring consolidation; therefore, there are no consolidated entities for which the total capital requirement is deducted, there are no restrictions on transfer of funds or total capital with other consolidated entities and no subsidiary exists which is below the minimum total capital requirement individually or when aggregated at the Bank's level. In conjunction with other System entities, the Bank jointly owns certain service organizations: the Federal Farm Credit Banks Funding Corporation (Funding Corporation), the FCS Building Association (FCSBA), and the Farm Credit Association Captive Insurance Corporation (Captive). Certain of the Bank's investments in other System institutions, including the investment in the Funding Corporation and FCSBA, are deducted from capital as only the institution that issued the equities may count the amount as capital.

CAPITAL STRUCTURE

The table below outlines the Bank's capital structure for the capital adequacy calculations as of March 31, 2022:

(dollars in thousands)	3-Month Average Daily Balance
Common Equity Tier 1 Capital (CET1)	
Common cooperative equities:	
Statutory minimum purchased borrower stock	$ 23
Other required member purchased stock	99,171
Allocated equities:	
Allocated stock subject to retirement	199,937
Nonqualified allocated surplus subject to retirement	416
Unallocated retained earnings	1,955,185
Paid-in capital	63,673
Regulatory adjustments and deductions made to CET1*	(81,075)
Total CET1 Capital	$ 2,237,330
Additional Tier 1 Capital (AT1)	
Non-cumulative perpetual preferred stock	$ 32,500
Regulatory adjustments and deductions made to AT1	—
Total AT1 Capital	$ 32,500
Total Tier 1 Capital	$ 2,269,830
Tier 2 Capital	
Allowance for loan losses	$ 20,153
Reserve for unfunded commitments	584
Regulatory adjustments and deductions made to total capital	—
Total Tier 2 Capital	$ 20,737
Total Regulatory Capital	$ 2,290,567

**Primarily investments in other System institutions.*

CAPITAL ADEQUACY AND CAPITAL BUFFERS

The table below outlines the Bank's risk-weighted assets by exposure calculated on a three-month average daily balance (including accrued interest of that exposure) as of March 31, 2022:

(dollars in thousands)	Risk-Weighted Assets
Exposures to:	
Government-sponsored entities, including Direct Notes to Associations	$ 4,916,915
Depository institutions	25,680
Corporate exposures, including borrower loans and leases	6,428,738
Residential mortgage loans	1,059,358
Past due > 90 days and nonaccrual loans	40,973
Securitizations	53,676
Exposures to obligors and other assets	164,996
Off-balance sheet exposures	2,015,962
Total risk-weighted assets	$ 14,706,298

As of March 31, 2022, the Bank exceeded all capital requirements to which it was subject, including applicable capital buffers. The risk-adjusted capital ratios exceeded the regulatory minimum levels, including the conservation buffer, by at least 5.08 percent. Additionally, the Tier 1 leverage ratio was 0.86 percent in excess of its required minimum leverage ratio, including the buffer. If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The following sets forth the regulatory capital ratios as of March 31, 2022:

Ratio	Regulatory Minimum Requirement	Capital Conservation Buffer	Minimum Requirement, Including Buffer	Capital Ratios
Risk-adjusted ratios:				
CET1 Capital	4.50 %	2.50 %	7.00 %	15.21 %
Tier 1 Capital	6.00 %	2.50 %	8.50 %	15.43 %
Total Regulatory Capital	8.00 %	2.50 %	10.50 %	15.58 %
Permanent Capital	7.00 %	0.00 %	7.00 %	15.46 %
Non-risk-adjusted ratios:				
Tier 1 Leverage*	4.00 %	1.00 %	5.00 %	5.86 %
URE and URE Equivalents Leverage	1.50 %	0.00 %	1.50 %	5.00 %

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

CREDIT RISK

System entities have specific lending authorities within their chartered territories. The Bank is subject to credit risk by lending to the District's FLCAs, PCAs, and ACAs as well as OFIs. The Bank also purchases participations and syndications and first lien residential mortgage loans. The allowance for loan losses is determined based on a periodic evaluation of the loan portfolio, which identifies loans that may be impaired based on characteristics such as probability of default (PD) and loss given default (LGD). Allowance needs by geographic region are only considered in rare circumstances that may not otherwise be reflected in the PD and LGD (flooding, drought, etc.). There was no allowance attributed to a geographic area as of March 31, 2022. See Note 2, *Loans and Allowance for Loan Losses*, and Note 3, *Investments*, in the Notes to the Financial Statements for quantitative disclosures related to the Bank's credit risk.

CREDIT RISK MITIGATION

Credit Risk Mitigation Related to Loans

The Bank uses various strategies to mitigate credit risk in its lending portfolio. As described in Note 1 of the Bank's Annual Report, a substantial portion of the loan balance is concentrated in notes receivable from the District Associations to fund their earning assets, which collateralize the notes. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their respective retail loan portfolios. Excluding accrued interest receivable, at March 31, 2022, the Bank's Direct Note portfolio totaled $19.441 billion and aggregate District Associations' loan portfolios totaled $26.283 billion.

The following table illustrates certain significant credit risk mitigants within AgFirst's loan portfolio, including accrued interest, which reduce capital requirements as of March 31, 2022:

(dollars in thousands)	Ending Balance	3-Month Average Balance	Risk-Weighted Exposures	% of Total Loans
Loans with unconditional guarantee	$ 14,730	$ 18,467	$ —	— %
Loans with conditional guarantee	686,460	707,162	141,433	2 %
Direct Notes	19,480,849	19,264,947	3,852,989	68 %
Total	$ 20,182,039	$ 19,990,576	$ 3,994,422	70 %

The following table illustrates the geographic distribution of the aggregate loan portfolios for AgFirst District Associations which approximates the credit risk in the Direct Note portfolio as of March 31, 2022:

AgFirst Total District Associations
Loan Portfolios by State

	Percent of Portfolio
North Carolina	16 %
Pennsylvania	11
Georgia	11
Virginia	9
Ohio	9
Florida	8
Alabama	6
Maryland	6
South Carolina	5
Kentucky	4
Mississippi	3
Louisiana	2
Delaware	2
All Other States	8
Total	100 %

The following table illustrates the various major commodity groups in the aggregate District Associations' loan portfolios based on borrower eligibility as a percentage of the aggregate outstanding District Associations' loan volume at March 31, 2022:

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

	Percent of Portfolio
Forestry	16 %
Poultry	13
Field Crops	12
Cattle	9
Grains	8
Corn	5
Other Real Estate	5
Dairy	5
Nursery/Greenhouse	3
Tree Fruits and Nuts	3
Rural Home Loans	3
Processing	2
Swine	2
Cotton	2
Other	12
Total	100 %

The following table illustrates the aggregate District Associations' loan portfolios based upon repayment dependency by commodity as a percentage of the aggregate outstanding District Associations' loan volume at March 31, 2022:

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

	Percent of Portfolio
Non-Farm Income	35 %
Poultry	13
Field Crops	6
Grains	6
Forestry	5
Corn	5
Dairy	4
Cattle	4
Nursery/Greenhouse	3
Other Real Estate	3
Tree Fruits and Nuts	2
Processing	2
Cotton	2
Swine	2
Other	8
Total	100 %

The following table illustrates AgFirst's loan portfolio by geographic distribution at March 31, 2022. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio by State

	At Period End			Year-to-Date Average Balance		
(dollars in thousands)	Outstanding Loans	Unfunded Amounts	Total Exposure	Outstanding Loans	Unfunded Amounts	Total Exposure
North Carolina	$ 1,303,955	$ 254,811	$ 1,558,766	$ 1,316,224	$ 239,110	$ 1,555,334
Georgia	1,030,945	465,074	1,496,019	1,037,086	442,061	1,479,147
Florida	638,875	400,504	1,039,379	652,512	367,412	1,019,924
Texas	502,012	174,886	676,898	500,829	172,718	673,547
Minnesota	386,517	222,504	609,021	373,828	235,546	609,374
Virginia	467,980	112,052	580,032	467,124	110,853	577,977
South Carolina	461,942	100,123	562,065	447,883	90,065	537,948
New York	329,506	137,901	467,407	322,165	136,373	458,538
Pennsylvania	303,555	150,150	453,705	256,484	151,517	408,001
Ohio	314,051	121,369	435,420	312,328	122,322	434,650
California	340,015	83,276	423,291	339,568	85,641	425,209
Illinois	218,073	115,105	333,178	210,168	122,574	332,742
Missouri	178,615	145,555	324,170	165,388	156,404	321,792
Louisiana	160,911	133,955	294,866	169,858	129,303	299,161
Maryland	267,951	20,176	288,127	268,888	16,906	285,794
Kentucky	234,356	11,713	246,069	228,647	11,196	239,843
Mississippi	92,288	136,653	228,941	82,774	140,303	223,077
All other states	1,968,194	972,195	2,940,389	1,956,453	985,426	2,941,879
Direct Notes	19,441,462	5,644,046	25,085,508	19,244,277	5,841,381	25,085,658
Total loans	$ 28,641,203	$ 9,402,048	$ 38,043,251	$ 28,352,484	$ 9,557,111	$ 37,909,595

The following table shows the various major commodity groups in the portfolio based on borrower eligibility at March 31, 2022. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio by Commodity Group Based on Eligibility

	At Period End			Year-to-Date Average Balance		
(dollars in thousands)	**Outstanding Loans**	**Unfunded Amounts**	**Total Exposure**	**Outstanding Loans**	**Unfunded Amounts**	**Total Exposure**
Rural Home Loans	$ 2,831,967	$ 176,281	$ 3,008,248	$ 2,817,201	$ 158,918	$ 2,976,119
Processing	1,272,750	902,752	2,175,502	1,256,444	930,333	2,186,777
Utilities	1,270,339	883,704	2,154,043	1,233,844	870,304	2,104,148
Forestry	973,598	473,538	1,447,136	996,200	437,506	1,433,706
Field Crops	395,702	206,301	602,003	413,723	188,225	601,948
Tree Fruits and Nuts	290,539	167,620	458,159	285,461	167,610	453,071
Grains	197,001	116,951	313,952	187,234	106,358	293,592
Nursery/Greenhouse	207,406	44,595	252,001	188,150	47,648	235,798
Dairy	192,286	55,204	247,490	190,077	58,090	248,167
Swine	170,347	76,442	246,789	181,488	84,868	266,356
Cattle	158,177	44,899	203,076	153,515	48,583	202,098
Other	1,239,629	609,715	1,849,344	1,204,870	617,287	1,822,157
Direct Notes	19,441,462	5,644,046	25,085,508	19,244,277	5,841,381	25,085,658
Total loans	$ 28,641,203	$ 9,402,048	$ 38,043,251	$ 28,352,484	$ 9,557,111	$ 37,909,595

The following table segregates loans based upon repayment dependency by commodity at March 31, 2022. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio by Commodity Group Based on Repayment Dependency

	At Period End			Year-to-Date Average Balance		
(dollars in thousands)	**Outstanding Loans**	**Unfunded Amounts**	**Total Exposure**	**Outstanding Loans**	**Unfunded Amounts**	**Total Exposure**
Non-Farm Income	$ 3,194,251	$ 220,108	$ 3,414,359	$ 3,178,181	$ 203,176	$ 3,381,357
Processing	1,266,662	916,174	2,182,836	1,250,137	943,644	2,193,781
Utilities	1,232,111	876,204	2,108,315	1,195,779	862,804	2,058,583
Forestry	856,778	435,212	1,291,990	874,401	404,484	1,278,885
Field Crops	405,742	234,872	640,614	435,719	205,911	641,630
Tree Fruits and Nuts	272,886	135,292	408,178	261,097	141,274	402,371
Grains	220,933	119,675	340,608	210,208	109,926	320,134
Dairy	186,737	55,203	241,940	184,523	58,090	242,613
Swine	130,795	76,442	207,237	141,727	84,869	226,596
Poultry	107,174	96,443	203,617	109,720	96,762	206,482
Other	1,325,672	592,377	1,918,049	1,266,715	604,790	1,871,505
Direct Notes	19,441,462	5,644,046	25,085,508	19,244,277	5,841,381	25,085,658
Total loans	$ 28,641,203	$ 9,402,048	$ 38,043,251	$ 28,352,484	$ 9,557,111	$ 37,909,595

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

	March 31, 2022				
(dollars in thousands)	**Due Less Than 1 Year**	**Due 1 Through 5 Years**	**Due 5 to 15 Years**	**Due After 15 Years**	**Total**
Direct Notes	$ 1,444,221	$ 4,175,065	$ 7,954,439	$ 5,867,737	$ 19,441,462
Real estate mortgage	8,897	246,578	634,957	270,343	1,160,775
Production and intermediate-term	143,179	586,996	205,044	—	935,219
Loans to cooperatives	180,263	482,979	111,537	—	774,779
Processing and marketing	90,578	1,176,469	475,423	18,801	1,761,271
Farm-related business	10,294	26,141	8,036	26,145	70,616
Communication	—	302,882	277,966	—	580,848
Power and water/waste disposal	95,183	307,985	297,642	142,213	843,023
Rural residential real estate	111,775	24,817	373,612	2,321,763	2,831,967
International	—	38,275	38,480	—	76,755
Lease receivables	—	—	424	—	424
Loans to OFIs	148,747	10,169	—	—	158,916
Other (including Mission Related)	—	334	1,165	3,649	5,148
Total loans	$ 2,233,137	$ 7,378,690	$ 10,378,725	$ 8,650,651	$ 28,641,203
Percentage	7.80 %	25.76 %	36.24 %	30.20 %	100.00 %

The following table illustrates AgFirst's impaired loans by geographic distribution at March 31, 2022. This table does not include accrued interest.

Total Outstanding Impaired Loans by State

(dollars in thousands)	**At Period End**	**Year-to-Date Average Balance**
North Carolina	$ 19,770	$ 20,614
Texas	14,699	14,743
South Carolina	5,453	5,480
Georgia	4,527	5,386
Arkansas	3,661	3,676
Maryland	3,499	3,142
Florida	2,650	2,352
Virginia	1,914	2,065
Tennessee	1,495	1,554
Kentucky	1,308	1,416
Pennsylvania	1,117	1,211
All other states	3,657	3,828
Total impaired loans	$ 63,750	$ 65,467

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

Credit Risk Mitigation Related to Investments

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

The following table shows the investment exposures covered by a guarantee as of March 31, 2022. This table does not include accrued interest.

(dollars in thousands)	Amortized Cost	Fair Value	% of Total Investments	Risk- Weighted Exposures
Unconditional Guarantee:				
U.S. Govt. Treasury Securities	$ 192,637	$ 190,028	2 %	$ —
U.S. Govt. Guaranteed	4,415,715	4,262,081	47 %	—
Conditional Guarantee:				
U.S. Govt. Agency Guaranteed	4,682,750	4,479,451	49 %	923,080
Total	$ 9,291,102	$ 8,931,560	98 %	$ 923,080

COUNTERPARTY CREDIT RISK

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

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

Financial instruments qualifying as eligible collateral are specifically defined under individual counterparty credit support agreements, but generally include cash, U.S. Treasury debt obligations, debt obligations of certain federal agencies and mortgage-backed securities guaranteed by certain federal agencies. Federal agencies include the Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and the Federal Home Loan Banks. The value of the instrument when used as collateral may be discounted from its market price up to 10 percent, depending on the security type, issuer and term. Such discounts are defined in the credit support agreement.

At March 31, 2022, the Bank had one foreign currency forward outstanding with a notional value of $2.3 million.

SECURITIZATION

The Bank has elected to utilize the simplified supervisory formula risk-based capital approach (SSFA) for securitization exposures. As such, the Bank's asset-backed securities (ABS) portfolio is risk weighted on an individual security level. As of March 31, 2022, all securities in this portfolio were risk weighted 20.00 percent. Total risk-weighted assets for these investment securities utilizing a three-month average daily balance was $49.9 million at March 31, 2022. At March 31, 2022, the Bank's ABS portfolio included, excluding accrued interest, $4.5 million of automobile ABSs and $201.1 million of credit card ABSs.

As of March 31, 2022, the Bank did not hold any off-balance sheet securitization exposures nor were any securitization exposures deducted from capital. For the three months ended March 31, 2022, there were no sales of ABS securities that resulted in realized gains or losses.

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

EQUITIES

At March 31, 2022, the Bank had no equity investments other than equity investments in other Farm Credit institutions.

INTEREST RATE RISK

For discussion of AgFirst's market value of equity and projected change over the next twelve months in net interest income for various rate movements as of March 31, 2022, see the *Interest Rate Sensitivity* section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

OTHER 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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Financial Statements, and the 2021 Annual Report of AgFirst Farm Credit Bank for recently issued accounting pronouncements.

The following ASU was issued by the Financial Accounting Standards Board (FASB):

<table>
<tr><th>Summary of Guidance</th><th>Adoption and Potential Financial Statement Impact</th></tr>
<tr><td colspan="2">ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</td></tr>
<tr><td>
• Replaces multiple existing impairment standards by establishing a single framework for financial assets to reflect management’s estimate of current expected credit losses (CECL) over the complete remaining life of the financial assets.
• Changes the present incurred loss impairment guidance for loans to an expected loss model.
• Modifies the other-than-temporary impairment model for debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit.
• Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets.
• Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption.
• Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted.
</td><td>
• Implementation efforts began with establishing a cross-discipline governance structure utilizing common guidance developed across the Farm Credit System. The implementation includes identification of key interpretive issues, scoping of financial instruments, and assessing existing credit loss forecasting models and processes against the new guidance.
• The new guidance is expected to result in a change in allowance for credit losses due to several factors, including:
1. The allowance related to loans and commitments will most likely change because it will then cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions,
2. An allowance will be established for estimated credit losses on any debt securities,
3. The nonaccretable difference on any PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans.
• The extent of the increase which depends upon the nature and characteristics of the Bank’s portfolio, and the macroeconomic conditions and forecasts at that date is under evaluation.
• The guidance will be adopted January 1, 2023.
</td></tr>
</table>

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

Balance Sheets

(dollars in thousands)	March 31, 2022	December 31, 2021
	(unaudited)	(audited)
Assets		
Cash	**$ 691,399**	$ 625,288
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 $19,639 and $21,632, respectively)	**18,424**	19,133
Total investments in debt securities	**9,155,223**	9,336,705
Loans	**28,641,203**	28,535,682
Allowance for loan losses	**(20,723)**	(20,147)
Net loans	**28,620,480**	28,515,535
Accrued interest receivable	**85,983**	84,532
Accounts receivable	**192,481**	110,935
Equity investments in other Farm Credit institutions	**85,357**	84,922
Premises and equipment, net	**93,845**	83,891
Other assets	**37,193**	32,746
Total assets	**$ 39,086,961**	$ 39,274,554
Liabilities		
Systemwide bonds payable	**$ 32,763,428**	$ 31,440,802
Systemwide notes payable	**4,155,882**	4,915,969
Accrued interest payable	**57,267**	40,941
Accounts payable	**32,798**	525,841
Other liabilities	**43,381**	48,221
Total liabilities	**37,052,756**	36,971,774
Commitments and contingencies (Note 8)		
Shareholders' Equity		
Perpetual preferred stock	**32,500**	32,500
Capital stock and participation certificates	**299,131**	299,131
Additional paid-in-capital	**63,673**	63,673
Retained earnings		
Allocated	**416**	416
Unallocated	**2,001,105**	1,888,462
Accumulated other comprehensive income (loss)	**(362,620)**	18,598
Total shareholders' equity	**2,034,205**	2,302,780
Total liabilities and equity	**$ 39,086,961**	$ 39,274,554

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

Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2022	2021
Interest Income		
Investments	**$ 36,462**	$ 31,505
Loans	**181,887**	168,469
Other	**32**	20
Total interest income	**218,381**	199,994
Interest Expense	**62,454**	39,281
Net interest income	**155,927**	160,713
Provision for allowance for loan losses	**1,277**	1,084
Net interest income after provision for allowance for loan losses	**154,650**	159,629
Noninterest Income		
Loan fees	**2,966**	3,028
Losses on debt extinguishment	**—**	(2,220)
Gains on other transactions	**681**	1,236
Patronage refunds from other Farm Credit institutions	**2,375**	4,401
Other noninterest income	**3,068**	2,016
Total noninterest income	**9,090**	8,461
Noninterest Expenses		
Salaries and employee benefits	**18,873**	19,720
Occupancy and equipment	**1,856**	1,834
Insurance Fund premiums	**4,963**	4,332
Purchased services	**13,097**	7,588
Data processing	**6,968**	5,467
Other operating expenses	**5,283**	5,295
Losses from other property owned	**—**	(33)
Total noninterest expenses	**51,040**	44,203
Net income	**$ 112,700**	$ 123,887
Other comprehensive loss:		
Unrealized losses on investments	**(381,384)**	(94,453)
Change in value of cash flow hedges	**(9)**	(17)
Employee benefit plans adjustments	**175**	213
Other comprehensive loss (Note 5)	**(381,218)**	(94,257)
Comprehensive income (loss)	**$ (268,518)**	$ 29,630

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

Statements of Changes in Shareholders' Equity

(unaudited)

(dollars in thousands)	Perpetual Preferred Stock	Capital Stock and Participation Certificates	Additional Paid-In-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2020	$ 49,250	$ 311,859	$ 58,883	$ 416	$ 1,871,594	$ 185,862	$ 2,477,864
Comprehensive income (loss)					123,887	(94,257)	29,630
Redemption of perpetual preferred stock (Note 5)	(9,750)		3,022				(6,728)
Dividends paid on perpetual preferred stock					(168)		(168)
Patronage distribution adjustment					(1,063)		(1,063)
Balance at March 31, 2021	$ 39,500	$ 311,859	$ 61,905	$ 416	$ 1,994,250	$ 91,605	$ 2,499,535
Balance at December 31, 2021	$ 32,500	$ 299,131	$ 63,673	$ 416	$ 1,888,462	$ 18,598	$ 2,302,780
Comprehensive income (loss)					**112,700**	**(381,218)**	**(268,518)**
Dividends paid on perpetual preferred stock					**(108)**		**(108)**
Patronage distribution adjustment					**51**		**51**
Balance at March 31, 2022	**$ 32,500**	**$ 299,131**	**$ 63,673**	**$ 416**	**$ 2,001,105**	**$ (362,620)**	**$ 2,034,205**

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

Statements of Cash Flows

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2022	2021
Cash flows from operating activities:		
Net income	$ **112,700**	$ **123,887**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation on premises and equipment	**3,618**	**2,576**
Amortization of net deferred loan (fees) costs and premium amortization (discount accretion)	**751**	**2,482**
Premium amortization on investment securities	**3,306**	**5,549**
Discount accretion on bonds and notes	**4,944**	**5,411**
Provision for loan losses	**1,277**	**1,084**
Losses on other property owned, net	**—**	**(65)**
Losses on debt extinguishment	**—**	**2,220**
Losses on other transactions	**(681)**	**(1,236)**
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	**(1,451)**	**3,332**
Increase in accounts receivable	**(81,546)**	**(74,512)**
Increase in accrued interest payable	**16,326**	**1,799**
Decrease in accounts payable	**(31,959)**	**(16,371)**
Change in other, net	**(8,468)**	**(8,145)**
Total adjustments	**(93,883)**	**(75,876)**
Net cash provided by operating activities	**18,817**	**48,011**
Cash flows from investing activities:		
Investment securities purchased	**(1,047,890)**	(1,081,243)
Proceeds from maturities and prepayments of investment securities	**844,673**	702,264
Net (increase) decrease in loans	**(106,973)**	168,650
Increase in equity investments in other Farm Credit System institutions	**(435)**	(302)
Net increase in premises and equipment	**(13,566)**	(6,705)
Proceeds from sale of premises and equipment	**31**	23
Proceeds from sale of other property owned	**—**	65
Net cash used in investing activities	**(324,160)**	(217,248)
Cash flows from financing activities:		
Bonds and notes issued	**5,025,595**	7,388,529
Bonds and notes retired	**(4,468,000)**	(7,335,000)
Redemption of perpetual preferred stock	**—**	(6,728)
Distribution to shareholders	**(461,033)**	(387,363)
Dividends paid on perpetual preferred stock	**(108)**	(168)
Net cash provided by (used in) financing activities	**96,454**	(340,730)
Net decrease in cash and cash equivalents	**(208,889)**	(509,967)
Cash and cash equivalents, beginning of period	**1,025,288**	1,213,685
Cash and cash equivalents, end of period	$ **816,399**	$ 703,718
Supplemental schedule of non-cash activities:		
Receipt of property in settlement of loans	$ **—**	$ 392
Change in unrealized losses on investments, net	**(381,384)**	(94,453)
Employee benefit plans adjustments	**(175)**	(213)
Supplemental information:		
Interest paid	$ **41,184**	$ 32,071

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

Notes to the Financial Statements

(unaudited)

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

Organization
The accompanying financial statements include the accounts of AgFirst Farm Credit Bank (AgFirst or Bank). AgFirst and its related Agricultural Credit Associations (Associations or District Associations) are collectively referred to as the AgFirst District (District). A complete description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations of the Bank as of and for the year ended December 31, 2021 are contained in the 2021 Annual Report to Shareholders. These unaudited interim financial statements should be read in conjunction with the latest Annual Report to Shareholders.

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.

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

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

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

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

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

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

Accounting Standards Updates (ASUs) Issued During the Period and Applicable to the Bank
The following ASU was issued by the Financial Accounting Standards Board (FASB) since the most recent year end:

- In March 2022, the FASB issued ASU 2022-02 Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. This Update responds to feedback received during the Post Implementation Review process conducted by the FASB related to Topic 326.
  1. Troubled Debt Restructurings (TDRs) by Creditors
     The amendments eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan.
  2. Vintage Disclosures—Gross Writeoffs
     For public business entities, the amendments in this Update require that an entity disclose current period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost.

These amendments will be implemented in conjunction with the adoption of ASU 2016-13.

ASUs Pending Effective Date
For a detailed description of the ASUs below, see the latest Annual Report.

Potential effects of ASUs issued in previous periods:

- In June 2016, the FASB issued ASU 2016-13 Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This Update, and subsequent clarifying guidance issued, is intended to improve financial reporting by requiring timelier recording of credit losses on financial instruments. It requires an organization to measure all expected credit losses for financial assets held at the reporting date through the life of the financial instrument. Financial institutions and other organizations will use forward-looking information to estimate their credit losses. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies that are not SEC filers, it will take effect for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Evaluation of any possible effects the guidance may have on the statements of financial condition and results of operations is in progress.

Accounting Standards Effective During the Period
There were no changes in the accounting principles applied from the latest Annual Report.

Note 2 — Loans and Allowance for Loan Losses

A summary of loans outstanding at period end follows:

(dollars in thousands)	March 31, 2022	December 31, 2021
Direct Notes	$ 19,441,462	$ 19,739,633
Real estate mortgage	1,160,775	1,153,729
Production and intermediate-term	935,219	1,032,288
Loans to cooperatives	774,779	527,118
Processing and marketing	1,761,271	1,680,782
Farm-related business	70,616	79,888
Communication	580,848	545,699
Power and water/waste disposal	843,023	748,563
Rural residential real estate	2,831,967	2,784,761
International	76,755	76,739
Lease receivables	424	2,273
Loans to other financing institutions (OFIs)	158,916	159,061
Other (including Mission Related)	5,148	5,148
Total loans	$ 28,641,203	$ 28,535,682

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

The Bank may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. During the first three months of 2022, the Bank purchased $172.6 million of residential mortgage loans from various Farm Credit System (System) associations and sold $142 thousand from the portfolio. These amounts are not included in the table below. The following tables present the principal balance of participation loans at periods ended:

	March 31, 2022							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
(dollars in thousands)	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Direct Notes	$ —	$ —	$ —	$ 1,222,355	$ —	$ —	$ —	$ 1,222,355
Real estate mortgage	1,095,077	247,706	417,264	222,766	9,009	—	1,521,350	470,472
Production and intermediate-term	844,247	333,209	607,692	326,046	144,056	—	1,595,995	659,255
Loans to cooperatives	—	112,636	888,805	—	—	—	888,805	112,636
Processing and marketing	654,523	483,861	841,014	438,077	1,207,456	17,157	2,702,993	939,095
Farm-related business	58,796	3,127	15,000	—	—	—	73,796	3,127
Communication	—	143,862	725,911	—	—	—	725,911	143,862
Power and water/waste disposal	—	28,247	872,950	—	—	—	872,950	28,247
International	—	37,465	114,375	—	—	—	114,375	37,465
Lease receivables	—	—	424	—	—	—	424	—
Other (including Mission Related)	5,189	—	—	—	—	—	5,189	—
Total	$ 2,657,832	$ 1,390,113	$ 4,483,435	$ 2,209,244	$ 1,360,521	$ 17,157	$ 8,501,788	$ 3,616,514

	December 31, 2021							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
(dollars in thousands)	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Direct Notes	$ —	$ —	$ —	$ 1,207,458	$ —	$ —	$ —	$ 1,207,458
Real estate mortgage	1,094,172	264,859	417,944	222,116	9,167	—	1,521,283	486,975
Production and intermediate-term	938,030	326,938	599,514	339,299	163,456	—	1,701,000	666,237
Loans to cooperatives	—	82,727	611,092	—	—	—	611,092	82,727
Processing and marketing	619,044	491,104	742,446	394,633	1,231,307	23,209	2,592,797	908,946
Farm-related business	68,074	3,127	15,000	—	—	—	83,074	3,127
Communication	—	124,573	671,467	—	—	—	671,467	124,573
Power and water/waste disposal	—	27,564	777,742	—	—	—	777,742	27,564
International	—	37,465	114,375	—	—	—	114,375	37,465
Lease receivables	—	—	2,273	—	—	—	2,273	—
Other (including Mission Related)	5,189	—	—	—	—	—	5,189	—
Total	$ 2,724,509	$ 1,358,357	$ 3,951,853	$ 2,163,506	$ 1,403,930	$ 23,209	$ 8,080,292	$ 3,545,072

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 table shows the recorded investment of loans, classified under the FCA Uniform Loan Classification System, as a percentage of the recorded investment of total loans by loan type as of:

	March 31, 2022	December 31, 2021
Direct Notes:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Real estate mortgage:		
Acceptable	97.20 %	96.89 %
OAEM	2.53	2.68
Substandard/doubtful/loss	0.27	0.43
	100.00 %	100.00 %
Production and intermediate-term:		
Acceptable	94.68 %	95.34 %
OAEM	2.71	2.33
Substandard/doubtful/loss	2.61	2.33
	100.00 %	100.00 %
Loans to cooperatives:		
Acceptable	100.00 %	95.38 %
OAEM	—	4.62
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Processing and marketing:		
Acceptable	98.77 %	98.70 %
OAEM	0.93	0.98
Substandard/doubtful/loss	0.30	0.32
	100.00 %	100.00 %
Farm-related business:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Communication:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %

	March 31, 2022	December 31, 2021
Power and water/waste disposal:		
Acceptable	98.70 %	98.54 %
OAEM	—	—
Substandard/doubtful/loss	1.30	1.46
	100.00 %	100.00 %
Rural residential real estate:		
Acceptable	99.50 %	99.46 %
OAEM	—	—
Substandard/doubtful/loss	0.50	0.54
	100.00 %	100.00 %
International:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Lease receivables:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Loans to OFIs:		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Other (including Mission Related):		
Acceptable	100.00 %	100.00 %
OAEM	—	—
Substandard/doubtful/loss	—	—
	100.00 %	100.00 %
Total loans:		
Acceptable	99.55 %	99.45 %
OAEM	0.25	0.34
Substandard/doubtful/loss	0.20	0.21
	100.00 %	100.00 %

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**
Direct Notes	$ —	$ —	$ —	$ 19,480,849	$ 19,480,849
Real estate mortgage	3,946	—	3,946	1,162,775	1,166,721
Production and intermediate-term	33	—	33	939,858	939,891
Loans to cooperatives	—	—	—	775,742	775,742
Processing and marketing	—	—	—	1,765,308	1,765,308
Farm-related business	—	—	—	70,846	70,846
Communication	—	—	—	581,089	581,089
Power and water/waste disposal	—	10,980	10,980	834,891	845,871
Rural residential real estate	26,896	5,671	32,567	2,805,736	2,838,303
International	—	—	—	76,962	76,962
Lease receivables	—	—	—	425	425
Loans to OFIs	—	—	—	159,182	159,182
Other (including Mission Related)	—	—	—	5,260	5,260
Total	$ 30,875	$ 16,651	$ 47,526	$ 28,658,923	$ 28,706,449

	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
Direct Notes	$ —	$ —	$ —	$ 19,778,813	$ 19,778,813
Real estate mortgage	1,643	—	1,643	1,158,223	1,159,866
Production and intermediate-term	—	—	—	1,035,686	1,035,686
Loans to cooperatives	—	—	—	527,727	527,727
Processing and marketing	—	—	—	1,684,429	1,684,429
Farm-related business	—	—	—	80,138	80,138
Communication	—	—	—	545,840	545,840
Power and water/waste disposal	55,251	10,980	66,231	684,273	750,504
Rural residential real estate	25,945	11,828	37,773	2,753,193	2,790,966
International	—	—	—	77,121	77,121
Lease receivables	—	—	—	2,280	2,280
Loans to OFIs	—	—	—	159,327	159,327
Other (including Mission Related)	—	—	—	5,225	5,225
Total	$ 82,839	$ 22,808	$ 105,647	$ 28,492,275	$ 28,597,922

Nonperforming assets (including related accrued interest as applicable) and related credit quality statistics are as follows:

(dollars in thousands)	March 31, 2022	December 31, 2021
Nonaccrual loans:		
Real estate mortgage	$ 1,121	$ 1,537
Processing and marketing	5,348	5,365
Power and water/waste disposal	10,980	10,980
Rural residential real estate	16,100	17,297
Total	$ 33,549	$ 35,179
Accruing restructured loans:		
Real estate mortgage	$ 1,040	$ 1,050
Production and intermediate-term	1,259	1,257
Rural residential real estate	23,953	19,106
Other (including Mission Related)	3,745	3,687
Total	$ 29,997	$ 25,100
Accruing loans 90 days or more past due:		
Rural residential real estate	441	5,781
Total	$ 441	$ 5,781
Total nonperforming loans	$ 63,987	$ 66,060
Other property owned	—	—
Total nonperforming assets	$ 63,987	$ 66,060
Nonaccrual loans as a percentage of total loans	0.12 %	0.12 %
Nonperforming assets as a percentage of total loans and other property owned	0.22 %	0.23 %
Nonperforming assets as a percentage of capital	3.15 %	2.87 %

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

(dollars in thousands)	March 31, 2022	December 31, 2021
Impaired nonaccrual loans:		
Current as to principal and interest	$ 13,202	$ 13,601
Past due	20,347	21,578
Total nonaccrual loans	$ 33,549	$ 35,179
Impaired accrual loans:		
Restructured	$ 29,997	$ 25,100
90 days or more past due	441	5,781
Total impaired accrual loans	$ 30,438	$ 30,881
Total impaired loans	$ 63,987	$ 66,060
Additional commitments to lend	$ 15	$ 7,360

The Bank maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Bank has been identified. See Note 3, *Loans and Allowance for Loan Losses*, from the latest Annual Report for further discussion.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Bank manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Bank sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

(dollars in thousands)	March 31, 2022			Three Months Ended March 31, 2022	
Impaired Loans	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:					
Real estate mortgage	$ 157	$ 156	$ 21	$ 160	$ —
Production and intermediate-term	—	—	—	—	—
Processing and marketing	—	—	—	—	—
Power and water/waste disposal	10,980	10,999	1,540	10,980	—
Rural residential real estate	22,975	22,530	855	22,621	—
Other (including Mission Related)	3,745	3,681	92	3,681	57
Total	$ 37,857	$ 37,366	$ 2,508	$ 37,442	$ 57
With no related allowance for credit losses:					
Real estate mortgage	$ 2,004	$ 2,037	$ —	$ 2,228	$ 34
Production and intermediate-term	1,259	1,248	—	1,233	28
Processing and marketing	5,348	5,429	—	5,369	—
Power and water/waste disposal	—	—	—	—	—
Rural residential real estate	17,519	17,159	—	19,195	493
Other (including Mission Related)	—	—	—	—	—
Total	$ 26,130	$ 25,873	$ —	$ 28,025	$ 555
Total impaired loans:					
Real estate mortgage	$ 2,161	$ 2,193	$ 21	$ 2,388	$ 34
Production and intermediate-term	1,259	1,248	—	1,233	28
Processing and marketing	5,348	5,429	—	5,369	—
Power and water/waste disposal	10,980	10,999	1,540	10,980	—
Rural residential real estate	40,494	39,689	855	41,816	493
Other (including Mission Related)	3,745	3,681	92	3,681	57
Total	$ 63,987	$ 63,239	$ 2,508	$ 65,467	$ 612

(dollars in thousands)	December 31, 2021			Year Ended December 31, 2021	
Impaired Loans	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:					
Real Estate Mortgage	$ 100	$ 99	$ —	$ 241	$ —
Production and Intermediate Term	—	—	—	—	—
Processing and Marketing	—	—	—	2,179	—
Power and Water/Waste Disposal	10,980	10,999	1,760	6,777	—
Rural Residential Real Estate	19,092	18,749	436	11,685	—
Other (including Mission Related)	3,687	3,681	92	3,735	232
Total	$ 33,859	$ 33,528	$ 2,288	$ 24,617	$ 232
With no related allowance for credit losses:					
Real Estate Mortgage	$ 2,487	$ 2,516	$ —	$ 3,277	$ 219
Production and Intermediate Term	1,257	1,252	—	4,573	418
Processing and Marketing	5,365	5,429	—	1,415	—
Power and Water/Waste Disposal	—	—	—	—	—
Rural Residential Real Estate	23,092	22,342	—	17,169	1,636
Other (including Mission Related)	—	—	—	—	—
Total	$ 32,201	$ 31,539	$ —	$ 26,434	$ 2,273
Total impaired loans:					
Real Estate Mortgage	$ 2,587	$ 2,615	$ —	$ 3,518	$ 219
Production and Intermediate Term	1,257	1,252	—	4,573	418
Processing and Marketing	5,365	5,429	—	3,594	—
Power and Water/Waste Disposal	10,980	10,999	1,760	6,777	—
Rural Residential Real Estate	42,184	41,091	436	28,854	1,636
Other (including Mission Related)	3,687	3,681	92	3,735	232
Total	$ 66,060	$ 65,067	$ 2,288	$ 51,051	$ 2,505

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

(dollars in thousands)	Direct Notes	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Other**	Total
Activity related to the allowance for credit losses:										
Balance at December 31, 2021	$ —	$ 1,513	$ 3,583	$ 5,532	$ 994	$ 2,854	$ 5,149	$ 84	$ 438	$ 20,147
Charge-offs	—	—	—	—	—	—	(814)	—	—	(814)
Recoveries	—	—	—	—	—	—	113	—	—	113
Provision for loan losses	—	5	(77)	424	54	(206)	1,108	—	(31)	1,277
Balance at March 31, 2022	$ —	$ 1,518	$ 3,506	$ 5,956	$ 1,048	$ 2,648	$ 5,556	$ 84	$ 407	$ 20,723
Balance at December 31, 2020	$ —	$ 1,551	$ 3,289	$ 4,553	$ 923	$ 1,024	$ 6,394	$ 130	$ 393	$ 18,257
Charge-offs	—	—	—	—	—	—	(342)	—	—	(342)
Recoveries	—	—	—	—	—	—	14	—	—	14
Provision for loan losses	—	3	63	441	6	682	(92)	10	(29)	1,084
Balance at March 31, 2021	$ —	$ 1,554	$ 3,352	$ 4,994	$ 929	$ 1,706	$ 5,974	$ 140	$ 364	$ 19,013
Allowance on loans evaluated for impairment:										
Individually	$ —	$ 21	$ —	$ —	$ —	$ 1,540	$ 855	$ —	$ 92	$ 2,508
Collectively	—	1,497	3,506	5,956	1,048	1,108	4,701	84	315	18,215
Balance at March 31, 2022	$ —	$ 1,518	$ 3,506	$ 5,956	$ 1,048	$ 2,648	$ 5,556	$ 84	$ 407	$ 20,723
Individually	$ —	$ —	$ —	$ —	$ —	$ 1,760	$ 436	$ —	$ 92	$ 2,288
Collectively	—	1,513	3,583	5,532	994	1,094	4,713	84	346	17,859
Balance at December 31, 2021	$ —	$ 1,513	$ 3,583	$ 5,532	$ 994	$ 2,854	$ 5,149	$ 84	$ 438	$ 20,147
Recorded investment in loans evaluated for impairment:										
Individually	$ 19,480,849	$ 122,651	$ 1,259	$ 5,348	$ —	$ 10,980	$ 609,525	$ —	$ 3,745	$ 20,234,357
Collectively	—	1,044,070	938,632	2,606,548	581,089	834,891	2,228,778	76,962	161,122	8,472,092
Balance at March 31, 2022	$ 19,480,849	$ 1,166,721	$ 939,891	$ 2,611,896	$ 581,089	$ 845,871	$ 2,838,303	$ 76,962	$ 164,867	$ 28,706,449
Individually	$ 19,778,813	$ 128,017	$ 1,257	$ 5,365	$ —	$ 10,980	$ 636,322	$ —	$ 3,687	$ 20,564,441
Collectively	—	1,031,849	1,034,429	2,286,929	545,840	739,524	2,154,644	77,121	163,145	8,033,481
Balance at December 31, 2021	$ 19,778,813	$ 1,159,866	$ 1,035,686	$ 2,292,294	$ 545,840	$ 750,504	$ 2,790,966	$ 77,121	$ 166,832	$ 28,597,922

* *Includes the loan types: Loans to Cooperatives, Processing and Marketing, and Farm-related Business.*

** *Includes the loan types: Mission Related Loans, Loans to OFIs, and Lease Receivables.*

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented. The tables do not include any purchased credit impaired loans.

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

(dollars in thousands)	Three Months Ended March 31, 2021				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ 585	$ —	$ —	$ 585	
Rural residential real estate	579	—	—	579	
Total	$ 1,164	$ —	$ —	$ 1,164	
Post-modification:					
Real estate mortgage	$ 592	$ —	$ —	$ 592	
Rural residential real estate	616	—	—	616	—
Total	$ 1,208	$ —	$ —	$ 1,208	$ —

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

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

	Three Months Ended March 31,	
(dollars in thousands)	2022	2021
Defaulted troubled debt restructurings:		
Rural residential real estate	$ 1,094	$ —
Total	$ 1,094	$ —

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

	Total TDRs		Nonaccrual TDRs	
(dollars in thousands)	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
Real estate mortgage	$ 1,096	$ 1,231	$ 56	$ 181
Production and intermediate-term	1,259	1,257	—	—
Rural residential real estate	28,342	23,491	4,389	4,385
Other (including Mission Related)	3,745	3,687	—	—
Total	$ 34,442	$ 29,666	$ 4,445	$ 4,566
Additional commitments to lend	$ —	$ —		

Note 3 — Investments

Equity Investments in Other Farm Credit System Institutions

Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Investments in Debt Securities

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

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

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

An agreement with a commercial bank requires AgFirst to maintain $50.0 million as a compensating balance. At March 31, 2022, the Bank held $41.2 million in U.S. Treasury securities for that purpose. The remainder of the compensating balance was held in cash in a demand deposit account. These securities are excluded when calculating the amount of eligible liquidity investments.

Available-for-sale

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

	March 31, 2022				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Treasury Securities	$ 192,637	$ —	$ (2,609)	$ 190,028	0.17 %
U.S. Govt. Guaranteed	4,415,715	14,939	(168,573)	4,262,081	1.84
U.S. Govt. Agency Guaranteed	4,682,283	2,514	(205,804)	4,478,993	1.46
Non-Agency ABSs	205,541	276	(120)	205,697	1.92
Total	$ 9,496,176	$ 17,729	$ (377,106)	$ 9,136,799	1.62 %

	December 31, 2021				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Treasury Securities	$ 342,763	$ 1	$ (651)	$ 342,113	0.13 %
U.S. Govt. Guaranteed	4,131,704	67,541	(34,158)	4,165,087	1.76
U.S. Govt. Agency Guaranteed	4,468,622	20,502	(32,689)	4,456,435	1.36
Non-Agency ABSs	352,476	1,461	—	353,937	1.80
Total	$ 9,295,565	$ 89,505	$ (67,498)	$ 9,317,572	1.51 %

Held-to-maturity

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

	March 31, 2022				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Agency Guaranteed	$ 467	$ —	$ (9)	$ 458	5.91 %
RABs and Other	17,957	1,274	(50)	19,181	5.94
Total	$ 18,424	$ 1,274	$ (59)	$ 19,639	5.94 %

	December 31, 2021				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Agency Guaranteed	$ 475	$ —	$ (8)	$ 467	5.94 %
RABs and Other	18,658	2,507	—	21,165	5.94
Total	$ 19,133	$ 2,507	$ (8)	$ 21,632	5.94 %

A summary of the contractual maturity, estimated fair value and amortized cost of investment securities at March 31, 2022 follows:

Available-for-sale

	Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 5 Years Through 10 Years		Due After 10 Years		Total	
(dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
U.S. Govt. Treasury Securities	$ 163,811	0.11 %	$ 26,217	0.55 %	$ —	— %	$ —	— %	$ 190,028	0.17 %
U.S. Govt. Guaranteed	—	—	5,125	5.31	434,601	2.00	3,822,355	1.82	4,262,081	1.84
U.S. Govt. Agency Guaranteed	14,576	(1.08)	228,957	1.06	903,302	0.66	3,332,158	1.71	4,478,993	1.46
Non-Agency ABSs	—	—	205,697	1.92	—	—	—	—	205,697	1.92
Total fair value	$ 178,387	0.01 %	$ 465,996	1.45 %	$1,337,903	1.10 %	$7,154,513	1.77 %	$9,136,799	1.62 %
Total amortized cost	$ 179,751		$ 476,114		$1,362,292		$7,478,019		$9,496,176	

Held-to-maturity

	Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 5 Years Through 10 Years		Due After 10 Years		Total	
(dollars in thousands)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
U.S. Govt. Agency Guaranteed	$ —	— %	$ —	— %	$ —	— %	$ 467	5.91 %	$ 467	5.91 %
RABs and Other	—	—	4,919	6.12	—	—	13,038	5.87	17,957	5.94
Total amortized cost	$ —	— %	$ 4,919	6.12 %	—	— %	$ 13,505	5.87 %	$ 18,424	5.94 %
Total fair value	$ —		$ 4,975		$ —		$ 14,664		$ 19,639	

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

An investment is considered impaired if its fair value is less than its cost. This also applies to those securities other-than-temporarily impaired for which a credit loss has been recognized but noncredit-related losses continue to remain unrealized. The following tables show the fair value and gross unrealized losses for all investments that have been in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

	March 31, 2022					
	Less Than 12 Months		12 Months Or Greater		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Govt. Treasury Securities	$ 140,614	$ (2,019)	$ 49,414	$ (590)	$ 190,028	$ (2,609)
U.S. Govt. Guaranteed	2,996,943	(130,559)	463,174	(38,014)	3,460,117	(168,573)
U.S. Govt. Agency Guaranteed	3,445,560	(178,182)	329,109	(27,631)	3,774,669	(205,813)
Non-Agency ABSs	36,443	(120)	—	—	36,443	(120)
RABs and Other	1,823	(50)	—	—	1,823	(50)
Total	$ 6,621,383	$ (310,930)	$ 841,697	$ (66,235)	$ 7,463,080	$ (377,165)

	December 31, 2021					
	Less Than 12 Months		12 Months Or Greater		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Govt. Treasury Securities	$ 242,079	$ (651)	$ —	$ —	$ 242,079	$ (651)
U.S. Govt. Guaranteed	1,502,188	(29,512)	244,954	(4,646)	1,747,142	(34,158)
U.S. Govt. Agency Guaranteed	2,367,203	(32,340)	96,074	(357)	2,463,277	(32,697)
Total	$ 4,111,470	$ (62,503)	$ 341,028	$ (5,003)	$ 4,452,498	$ (67,506)

The recording of an impairment loss is predicated on: (1) whether or not management intends to sell the security, (2) whether it is more likely than not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Bank intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss recognized equals the full difference between amortized cost and fair value of the security. When the Bank does not intend to sell securities in an unrealized loss position and it is not more likely than not that it would be required to sell the securities, other-than-temporary impairment loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Bank performs periodic credit reviews, including OTTI analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio.

The Bank has not recognized any credit losses for the periods presented as the impairments were deemed temporary and result from non-credit related factors. The Bank has the ability and intent to hold these investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities. Substantially all of these investments were in U.S. government guaranteed and government agency securities and the Bank expects these securities would not be settled at a price less than their amortized cost.

Note 4 — Debt

Bonds and Notes

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

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

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

	March 31, 2022					
(dollars in thousands)	Bonds		Discount Notes		Total	
Maturities	Amortized Cost	Weighted Average Interest Rate	Amortized Cost	Weighted Average Interest Rate	Amortized Cost	Weighted Average Interest Rate
One year or less	$ 8,649,665	0.24 %	$ 4,155,882	0.35 %	$ 12,805,547	0.28 %
Greater than one year to two years	6,493,831	0.35	—	—	6,493,831	0.35
Greater than two years to three years	4,160,577	0.62	—	—	4,160,577	0.62
Greater than three years to four years	2,860,157	0.75	—	—	2,860,157	0.75
Greater than four years to five years	2,055,717	1.13	—	—	2,055,717	1.13
Greater than five years	8,543,481	1.66	—	—	8,543,481	1.66
Total	$ 32,763,428	0.78 %	$ 4,155,882	0.35 %	$ 36,919,310	0.73 %

Discount notes are issued with maturities of one year or less. The weighted average maturity of discount notes at March 31, 2022 was 136 days.

Note 5 — Shareholders' Equity

Perpetual Preferred Stock

Payment of dividends or redemption price on issued Preferred Stock may be restricted if the Bank fails to satisfy applicable minimum capital adequacy, surplus, and collateral requirements.

Accumulated Other Comprehensive Income

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

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

	For the Three Months Ended March 31,	
(dollars in thousands)	**2022**	**2021**
Investment Securities:		
Balance at beginning of period	$ 22,007	$ 190,529
Other comprehensive income before reclassifications	(381,384)	(94,453)
Amounts reclassified from AOCI	—	—
Net current period other comprehensive income	(381,384)	(94,453)
Balance at end of period	$ (359,377)	$ 96,076
Cash Flow Hedges:		
Balance at beginning of period	$ 201	$ 287
Other comprehensive income before reclassifications	6	—
Amounts reclassified from AOCI	(15)	(17)
Net current period other comprehensive income	(9)	(17)
Balance at end of period	$ 192	$ 270
Employee Benefit Plans:		
Balance at beginning of period	$ (3,610)	$ (4,954)
Other comprehensive income before reclassifications	—	—
Amounts reclassified from AOCI	175	213
Net current period other comprehensive income	175	213
Balance at end of period	$ (3,435)	$ (4,741)
Total Accumulated Other Comprehensive Income:		
Balance at beginning of period	$ 18,598	$ 185,862
Other comprehensive income before reclassifications	(381,378)	(94,453)
Amounts reclassified from AOCI	160	196
Net current period other comprehensive income	(381,218)	(94,257)
Balance at end of period	$ (362,620)	$ 91,605

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*		
	For the Three Months Ended March 31,		
(dollars in thousands)	**2022**	**2021**	**Income Statement Line Item**
Investment Securities:			
Sales gains & losses	$ —	$ —	Gains (losses) on investments, net
Holding gains & losses	—	—	Net other-than-temporary impairment
Net amounts reclassified	—	—	
Cash Flow Hedges:			
Interest income	$ 9	$ 17	Interest income on investment securities
Gains (losses) on other transactions	6	—	Gains (losses) on other transactions
Net amounts reclassified	15	17	
Employee Benefit Plans:			
Periodic pension costs	$ (175)	$ (213)	See Note 7.
Net amounts reclassified	(175)	(213)	
Total reclassifications for period	$ (160)	$ (196)	

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

Note 6 — Fair Value Measurement

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

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

The classifications within the fair value hierarchy are as follows:

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

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

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

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

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

	March 31, 2022				
(dollars in thousands)	**Total Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Recurring Measurements					
Assets:					
Investments in debt securities available-for-sale:					
U.S. Govt. Treasury securities	$ 190,028	$ —	$ 190,028	$ —	$ 190,028
U.S. Govt. guaranteed	4,262,081	—	4,262,081	—	4,262,081
U.S. Govt. Agency guaranteed	4,478,993	—	4,478,993	—	4,478,993
Non-agency ABSs	205,697	—	205,697	—	205,697
Total investments in debt securities available-for-sale	9,136,799	—	9,136,799	—	9,136,799
Cash equivalents	125,000	—	125,000	—	125,000
Assets held in trust funds	18,474	18,474	—	—	18,474
Recurring Assets	$ 9,280,273	$ 18,474	$ 9,261,799	$ —	$ 9,280,273
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 35,349	$ —	$ —	$ 35,349	$ 35,349
Nonrecurring Assets	$ 35,349	$ —	$ —	$ 35,349	$ 35,349
Other Financial Instruments					
Assets:					
Cash	$ 691,399	$ 691,399	$ —	$ —	$ 691,399
Investments in debt securities held-to-maturity	18,424	—	458	19,181	19,639
Loans	28,585,131	—	—	27,668,022	27,668,022
Other Financial Assets	$ 29,294,954	$ 691,399	$ 458	$ 27,687,203	$ 28,379,060
Liabilities:					
Systemwide debt securities	$ 36,919,310	$ —	$ —	$ 35,681,810	$ 35,681,810
Other Financial Liabilities	$ 36,919,310	$ —	$ —	$ 35,681,810	$ 35,681,810

	December 31, 2021				
(dollars in thousands)	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Investments in debt securities available-for-sale:					
U.S. Govt. Treasury securities	$ 342,113	$ —	$ 342,113	$ —	$ 342,113
U.S. Govt. guaranteed	4,165,087	—	4,165,087	—	4,165,087
U.S. Govt. agency guaranteed	4,456,435	—	4,456,435	—	4,456,435
Non-agency ABSs	353,937	—	353,937	—	353,937
Total investments in debt securities available-for-sale	9,317,572	—	9,317,572	—	9,317,572
Cash equivalents	400,000	—	400,000	—	400,000
Assets held in trust funds	20,426	20,426	—	—	20,426
Recurring Assets	$ 9,737,998	$ 20,426	$ 9,717,572	$ —	$ 9,737,998
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 31,571	$ —	$ —	$ 31,571	$ 31,571
Nonrecurring Assets	$ 31,571	$ —	$ —	$ 31,571	$ 31,571
Other Financial Instruments					
Assets:					
Cash	$ 625,288	$ 625,288	$ —	$ —	$ 625,288
Investments in debt securities held to maturity	19,133	—	467	21,165	21,632
Loans	28,483,964	—	—	28,315,436	28,315,436
Other Financial Assets	$ 29,128,385	$ 625,288	$ 467	$ 28,336,601	$ 28,962,356
Liabilities:					
Systemwide debt securities	$ 36,356,771	$ —	$ —	$ 36,110,567	$ 36,110,567
Other Financial Liabilities	$ 36,356,771	$ —	$ —	$ 36,110,567	$ 36,110,567

Uncertainty in Measurements of Fair Value

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

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

Investments in Debt Securities

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

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

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

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

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements
With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Information about Recurring and Nonrecurring Level 2 Fair Value Measurements

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

Information about Other Financial Instrument Fair Value Measurements

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

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

Note 7 — Employee Benefit Plans

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

	For the Three Months Ended March 31,	
(dollars in thousands)	2022	2021
Pension	$ 1,083	$ 1,985
401k	1,135	1,015
Other postretirement benefits	222	249
Total	$ 2,440	$ 3,249

Expenses in the above table include allocated estimates of funding for multiemployer plans in which the Bank participates. These amounts may change when a total funding amount and allocation is determined by the respective Plans' Sponsor Committees. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2022.

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

Note 8 — Commitments and Contingencies

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

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

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

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

(dollars in billions)	March 31, 2022	December 31, 2021
Total System bonds and notes	$ 371.652	$ 352.823
AgFirst bonds and notes	36.919	36.357

From time to time, legal actions are pending against the Bank in which claims for money damages are asserted. On at least a quarterly basis, the Bank assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management and legal counsel are of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Bank.

Because it is remote that the Bank will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 9 — Additional Financial Information

Offsetting of Financial Assets

(dollars in thousands)	March 31, 2022	December 31, 2021
Reverse repurchase and similar arrangements	$ 125,000	$ 400,000
Gross Amount of Recognized Assets	125,000	400,000
Reverse repurchase and similar arrangements	—	—
Gross Amounts Offset in the Balance Sheets	—	—
Net Amounts of Assets Presented in the Balance Sheets	$ 125,000	$ 400,000
Financial Instruments	(125,000)	(400,000)
Gross Amounts Not Offset in the Balance Sheets	(125,000)	(400,000)
Net Amount	$ —	$ —

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

The reverse repurchase agreements are accounted for as collateralized lending.

Combined Districtwide Financial Statements

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

Note 10 — Subsequent Events

The Bank evaluated subsequent events and determined that, except as described below, there were none requiring disclosure through May 9, 2022, which was the date the financial statements were issued.

On April 11, 2022, the boards of AgCarolina Farm Credit, ACA and Cape Fear Farm Credit, ACA announced intentions to pursue a merger. See further in discussion in Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*.