AGFIRST FARM CREDIT BANK & DISTRICT ASSOCIATIONS

2024 FIRST QUARTER FINANCIAL INFORMATION

FARM CREDIT

AgFirst Farm Credit Bank and District Associations March 31, 2024 Financial Information

(unaudited)

INTRODUCTION AND DISTRICT OVERVIEW

The following commentary reviews the Combined Financial Statements of Condition and Results of Operations of AgFirst Farm Credit Bank (AgFirst or the Bank) and the District Agricultural Credit Associations (Associations or District Associations), collectively referred to as the AgFirst District (District), for the three months ended March 31, 2024. AgFirst and the District Associations are part of the Farm Credit System (the System), a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. System institutions are generally organized as cooperatives. Cooperatives are organizations that are owned and controlled by their members who use the cooperatives' products or services. The U.S. Congress authorized the creation of the first System institutions in 1916. The System was created to provide support for the agricultural sector because of its significance to the well-being of the U.S. economy and the U.S. consumer. The mission of the System is to support rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow. The System does this by making appropriately structured loans to qualified individuals and businesses at competitive rates and providing financial services and advice to those persons and businesses. AgFirst and each District Association are individually regulated by the Farm Credit Administration (FCA).

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

As of March 31, 2024, the District consisted of the Bank and sixteen District Associations. All sixteen were structured as Agricultural Credit Association (ACA) holding companies, with Federal Land Credit Association (FLCA) and Production Credit Association (PCA) subsidiaries. PCAs originate and service short- and intermediate-term loans; FLCAs originate and service long-term real estate mortgage loans; and ACAs originate and service both long-term real estate mortgage loans and short- and intermediate-term loans.

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

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

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

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

Financial Highlights

(dollars in thousands)	March 31, 2024	December 31, 2023
Total loans	**$ 40,755,410**	$ 40,750,224
Allowance for loan losses	**(157,371)**	(150,498)
Net loans	**$ 40,598,039**	$ 40,599,726
Total assets	**$ 51,446,086**	$ 51,826,565
Total shareholders' equity	**6,927,385**	6,808,874

	For the Three Months Ended March 31,	
	2024	**2023**
Net interest income	**$ 326,948**	$ 338,114
Provision for credit losses	**6,916**	37,169
Noninterest expense, net	**(163,567)**	(164,410)
Net income	**$ 156,465**	$ 136,535
Net interest income as a percentage of average earning assets	**2.61 %**	2.84 %
Net (charge-offs) recoveries to average loans	**— %**	(0.14)%
Return on average assets	**1.23 %**	1.13 %
Return on average shareholders' equity	**9.06 %**	8.14 %
Operating expense as a percentage of net interest income and noninterest income	**52.36 %**	51.36 %
Average loans	**$ 40,584,234**	$ 38,408,012
Average earning assets	**50,371,522**	48,199,929
Average assets	**51,307,613**	49,117,204

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

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2024, was $156.5 million compared to $136.5 million for the corresponding period in 2023, an increase of $19.9 million or 14.60 percent. See below for further discussion of the change in net income by major components.

Net Interest Income

Net interest income decreased $11.2 million, or 3.30 percent, to $326.9 million, for the three months ended March 31, 2024, compared to the same period in the prior year. The net interest margin, which is net interest income as a percentage of average earning assets, was 2.61 percent, a decrease of 23 basis points for the three months ended March 31, 2024 when compared to the same period in the prior year.

A significant volume of the District's assets have long-term, fixed-rate, prepayable payment structures. To mitigate interest rate risk exposure, the Bank funds such assets predominately with fixed-rate, callable debt having maturities similar to the assets funded. When interest rates fall, as they did during 2020, the Bank quickly calls and replaces any debt securities that result in cost savings. This temporarily increases net interest margin which returns to a level of income without the benefit of called debt over time as the assets reprice.

When compared to the same period in the prior year, net interest income declined primarily as the result of the contraction in net interest margin following the decrease in rates during 2020, partially offset by higher loan growth.

The effects of changes in volume and interest rates on net interest income for the three months ended March 31, 2024, as compared with the corresponding period in 2023, 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, 2024 vs. March 31, 2023		
	Increase (decrease) due to changes in:		
(dollars in thousands)	**Volume**	**Rate**	**Total**
Interest Income:			
Loans	$ 34,668	$ 70,800	$ 105,468
Investments & Cash Equivalents	(500)	14,572	14,072
Other	602	693	1,295
Total Interest Income	$ 34,770	$ 86,065	$ 120,835
Interest Expense	18,230	113,771	132,001
Changes in Net Interest Income	$ 16,540	$ (27,706)	$ (11,166)

Provision for Credit Losses

AgFirst and the District Associations measure risks inherent in their individual loan portfolios on an ongoing basis and, as necessary, recognize provision for credit loss expense so that appropriate allowances for credit losses (ACL) are maintained. Provision for credit losses, which includes the provision for loan loss and the provision for unfunded commitments, was a provision expense of $6.9 million for the three months ended March 31, 2024 compared to a provision expense of $37.2 million for the corresponding period in 2023.

Provision for (reversal of) allowance for credit losses:	**For the three months ended March 31, 2024** Bank's Capital Markets Portfolio	Bank's Correspondent Lending Portfolio	District Associations Combined	District Total	**For the three months ended March 31, 2023** Bank's Capital Markets Portfolio	Bank's Correspondent Lending Portfolio	District Associations Combined	District Total
Asset-specific component	$ (860)	$ 110	$ 3,405	$ 2,655	$ 14,004	$ 6	$ 18,644	$ 32,654
Pooled component	1,384	(1,453)	4,180	4,111	(3,428)	6,189	2,442	5,203
Unfunded Commitments	—	—	150	150	(1,355)	—	667	(688)
Total	$ 524	$ (1,343)	$ 7,735	$ 6,916	$ 9,221	$ 6,195	$ 21,753	$ 37,169

The allowance models for the Bank's Capital Markets portfolio and the District Association's loan portfolios utilize similar macroeconomic outlooks which drove an increase in general reserves in 2024. This was partially offset by a provision reversal of general reserves in the Correspondent Lending portfolio as a result of higher expected median house prices and lower mortgage interest rates.

During the first quarter of 2023, there were several large provisions and charge-offs on loans that were individually evaluated as a result of new nonaccrual relationships that were participated across the Bank and District Associations and primarily within the tree fruits and nuts segment. In addition, there was general reserve provision expense recorded within the Bank's Correspondent Lending portfolio primarily due to forecasted residential mortgage housing price declines and downgrades to borrower credit and an overall reversal in the Bank's Capital Markets collectively evaluated as a result of the large relationships transitioning to individually evaluated.

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

Noninterest Income

The following table illustrates the changes in noninterest income:

Change in Noninterest Income *(dollars in thousands)*	**For the Three Months Ended March 31,** 2024	2023	Increase/ (Decrease)
Loan fees	$ 10,241	$ 10,092	$ 149
Fees for financially related services	3,325	3,583	(258)
Losses on debt extinguishment	(4,492)	(1,263)	(3,229)
Gains on other transactions	3,845	2,748	1,097
Patronage refunds from other Farm Credit institutions	1,530	2,728	(1,198)
Other noninterest income	2,003	1,687	316
Total noninterest income	$ 16,452	$ 19,575	$ (3,123)

Noninterest income decreased $3.1 million for the three months ended March 31, 2024 compared to the corresponding period in 2023. Line-item dollar variances greater than $2.0 million are discussed below.

Losses on debt extinguishment increased $3.2 million for the three months ended March 31, 2024, compared to the same period in 2023. Debt issuance costs are amortized into interest expense over the contractual life of the underlying debt security. Debt is called to take advantage of favorable market interest rate changes. When debt securities are called prior to maturity, any unamortized issuance cost is expensed through losses on debt extinguishment. The amount of issuance cost expensed is dependent upon both the size and remaining maturity of the bond when called. Losses on called debt are more than offset by interest expense savings realized over the life of the replacement debt. Call options were exercised on bonds totaling $2.1 billion for the three months ended March 31, 2024, compared to $550.0 million during the same period in 2023. See *Net Interest Income* section above for further discussion.

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)	**2024**	**2023**	**Increase/ (Decrease)**
Salaries and employee benefits	$ 105,407	$ 99,159	$ 6,248
Occupancy and equipment	7,224	7,282	(58)
Insurance Fund premiums	9,239	16,114	(6,875)
Purchased services	14,061	17,554	(3,493)
Data processing	12,968	11,528	1,440
Other operating expenses	30,891	32,057	(1,166)
Gains from other property owned	(47)	(248)	201
Total noninterest expenses	$ 179,743	$ 183,446	$ (3,703)

Noninterest expenses decreased $3.7 million for the three months ended March 31, 2024 compared to the same period in 2023. Line-item dollar variances greater than $2.0 million are discussed below.

Salaries and employee benefits expenses increased $6.2 million for the three months ended March 31, 2024. The increase resulted primarily due to higher salaries from annual merit adjustments and higher market returns on certain nonqualified benefit plan trust assets that are offset in gains on other transactions within noninterest income.

Insurance fund premiums decreased by $6.9 million due to a reduction in the premium assessment rate from 18 basis points in 2023 to 10 basis points in 2024.

Purchased services decreased by $3.5 million as a result of reduced contractor and consultant expenses in 2024 after the implementation of new systems including a new mortgage loan origination system and a new loan accounting system in 2023.

LOAN PORTFOLIO

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

Loan Types						
(dollars in thousands)	**March 31, 2024**		**December 31, 2023**		**March 31, 2023**	
Real estate mortgage	$ 20,191,843	49.54 %	$ 20,071,746	49.26 %	$ 19,495,933	50.21 %
Production and intermediate-term	7,299,931	17.91	7,513,910	18.44	6,804,655	17.53
Agribusiness:						
Loans to cooperatives	809,001	1.99	794,631	1.95	888,028	2.29
Processing and marketing	3,963,901	9.73	3,815,876	9.36	3,754,447	9.67
Farm-related business	609,630	1.50	632,802	1.55	581,719	1.50
Rural infrastructure:						
Power	1,618,917	3.97	1,655,434	4.06	1,495,241	3.85
Communication	1,220,753	3.00	1,281,338	3.14	1,127,117	2.90
Water/Waste disposal	456,680	1.12	462,915	1.14	233,389	0.60
Rural residential real estate	3,906,591	9.59	3,866,809	9.49	3,743,832	9.64
Other:						
International	229,975	0.55	218,835	0.54	296,279	0.76
Lease receivables	13,351	0.03	13,194	0.03	12,042	0.03
Loans to other financing institutions (OFIs)	163,804	0.40	167,962	0.41	162,077	0.42
Other (including mission related)	271,033	0.67	254,772	0.63	232,243	0.60
Total	$ 40,755,410	100.00 %	$ 40,750,224	100.00 %	$38,827,002	100.00 %

Total loans outstanding were $40.8 billion at March 31, 2024, which is flat when compared to December 31, 2023 and an increase of $1.9 billion, or 4.95 percent, since March 31, 2023.

Growth has been challenged in 2024, which may continue for the remainder of the year, due to higher interest rates and continued inflationary pressures that have led to fewer new loan issuances and reductions in outstanding debts to lower operating costs.

Compared to March 31, 2023, growth came from a combination of factors including new client acquisition, an increase in transactions due to government initiatives to expand rural infrastructure, borrower liquidity needs due to commodity price escalation, and merger and acquisition activity.

Credit Quality

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

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

The following table shows the amortized cost of loans classified under the Uniform Loan Classification System by origination year and gross charge-offs for the periods presented:

District Credit Quality by Origination Year

(in thousands)

Balance as of and for the three months March 31, 2024	**Acceptable**	**OAEM**	**Substandard**	**Doubtful**	**Loss**	**Current Period Gross Writeoffs**
2024	$ 1,418,049	$ 21,558	$ 8,390	$ —	$ —	$ 85
2023	6,294,948	67,033	54,797	—	—	257
2022	6,642,515	131,494	72,325	54	1	59
2021	6,028,867	102,302	45,919	28	3	171
2020	3,999,169	83,814	69,638	36	206	23
Prior	9,412,168	177,578	178,118	81	13	112
Revolving loans	5,616,026	196,676	133,569	34	1	252
Total	$39,411,742	$ 780,455	$ 562,756	$ 233	$ 224	$ 959
As a percentage of total loans	96.71 %	1.91 %	1.38 %	— %	— %	

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

District credit quality declined slightly in 2024 primarily as a result of isolated credits within the Capital Markets portfolio but remains strong overall. Credit quality may be impacted in future quarters as a result of inflationary input cost pressures, rising interest rates, potential changes in government support for agricultural sectors, and unforeseen impacts from geopolitical, trade, supply chain, weather, or animal- or human-related health events.

Nonaccrual Loans

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

(dollars in thousands)	March 31, 2024	December 31, 2023
Nonaccrual loans:		
Real estate mortgage	$ 79,162	$ 67,440
Production and intermediate-term	72,846	65,427
Agribusiness	17,356	16,589
Rural infrastructure	2,026	2,067
Rural residential real estate	25,676	24,473
Other	—	65
Total	$ 197,066	$ 176,061
Nonaccrual Loans as Percentage of Total Loans	0.48 %	0.43 %

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans for the combined District increased when compared to the prior year and were $197.1 million, or 0.48 percent of total loans at March 31, 2024 and $176.1 million, or 0.43 percent of total loans, at December 31, 2023.

	Nonaccrual by Portfolio			
	March 31, 2024		December 31, 2023	
	Total Amount	% of Total	Total Amount	% of Total
Bank's Capital Markets	$ 21,698	11.01 %	$ 21,340	12.12 %
Bank's Correspondent Lending	23,758	12.06 %	22,741	12.92 %
District Associations	151,610	76.93 %	131,980	74.96 %
Total	$ 197,066	100.00 %	$ 176,061	100.00 %

The increase in nonaccruals of $21.0 million during the first quarter of 2024 is primarily at the District Associations and is a result of inflationary input cost pressures and rising interest rates impacting credit quality as discussed above. There were no new nonaccrual relationships that exceeded $5.0 million across the District.

Aging Analysis of Loans

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

	March 31, 2024					
(dollars in thousands)	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 110,902	$ 34,617	$ 145,519	$ 20,046,324	$ 20,191,843	$ 765
Production and intermediate-term	47,943	48,883	96,826	7,203,105	7,299,931	989
Agribusiness	6,196	5,034	11,230	5,371,302	5,382,532	63
Rural infrastructure	—	—	—	3,296,350	3,296,350	—
Rural residential real estate	55,817	11,867	67,684	3,838,907	3,906,591	—
Other	2,919	10,632	13,551	664,612	678,163	10,632
Total	$ 223,777	$ 111,033	$ 334,810	$ 40,420,600	$ 40,755,410	$ 12,449

	December 31, 2023					
(dollars in thousands)	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 147,194	$ 30,011	$ 177,205	$ 19,894,541	$ 20,071,746	$ 1,493
Production and intermediate-term	48,814	40,666	89,480	7,424,430	7,513,910	232
Agribusiness	10,601	3,676	14,277	5,229,032	5,243,309	—
Rural infrastructure	—	—	—	3,399,687	3,399,687	—
Rural residential real estate	67,443	11,419	78,862	3,787,947	3,866,809	—
Other	1,744	4,382	6,126	648,637	654,763	4,316
Total	$ 275,796	$ 90,154	$ 365,950	$ 40,384,274	$ 40,750,224	$ 6,041

Allowance for Credit Losses

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

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

(dollars in thousands)	Real Estate Mortgage	Production and Intermediate -term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Activity related to allowance for loan losses:							
Balance at December 31, 2023	$ 62,237	$ 41,220	$ 20,734	$ 4,966	$ 20,960	$ 381	$ 150,498
Charge-offs	(59)	(845)	(9)	—	(46)	—	(959)
Recoveries	236	805	2	—	13	10	1,066
Provision for (reversal of) loan losses	4,384	2,058	1,834	17	(1,609)	82	6,766
Balance at March 31, 2024	$ 66,798	$ 43,238	$ 22,561	$ 4,983	$ 19,318	$ 473	$ 157,371
Allowance for unfunded commitments:							
Balance at December 31, 2023	$ 2,372	$ 4,250	$ 6,041	$ 499	$ 97	$ 106	$ 13,365
Provision for (reversal of) unfunded commitments	(114)	386	(112)	37	(39)	(8)	150
Balance at March 31, 2024	$ 2,258	$ 4,636	$ 5,929	$ 536	$ 58	$ 98	$ 13,515
Allowance for credit losses	$ 69,056	$ 47,874	$ 28,490	$ 5,519	$ 19,376	$ 571	$ 170,886
Activity related to allowance for loan losses:							
Balance at December 31, 2022	$ 82,018	$ 65,472	$ 20,146	$ 3,875	$ 8,824	$ 919	$ 181,254
Cumulative effect of change in accounting principle*	(14,693)	(23,270)	(1,246)	(758)	12,605	(476)	$ (27,838)
Charge-offs	(109)	(13,699)	(13)	—	(100)	—	(13,921)
Recoveries	175	865	5	—	22	—	1,067
Provision for (reversal of) loan losses	4,760	26,512	(1,595)	1,775	6,219	186	37,857
Merger adjustment	(3,886)	(1,065)	(424)	(64)	(28)	(181)	(5,648)
Balance at March 31, 2023	$ 68,265	$ 54,815	$ 16,873	$ 4,828	$ 27,542	$ 448	$ 172,771
Allowance for unfunded commitments:							
Balance at December 31, 2022	$ 189	$ 2,747	$ 2,727	$ 78	$ 15	$ 48	$ 5,804
Cumulative effect of change in accounting principle*	565	791	2,936	463	22	37	4,814
Provision for (reversal of) unfunded commitments	444	126	(1,174)	(83)	—	(1)	(688)
Balance at March 31, 2023	$ 1,198	$ 3,664	$ 4,489	$ 458	$ 37	$ 84	$ 9,930
Allowance for credit losses	$ 69,463	$ 58,479	$ 21,362	$ 5,286	$ 27,579	$ 532	$ 182,701

**Reflects the impact of the adoption of Financial Accounting Standards Board guidance entitled "Measurement of Credit Losses on Financial Instruments" (CECL) on January 1, 2023*

The allowance for credit losses was $170.9 million at March 31, 2024, as compared with $163.9 million at December 31, 2023, an increase of $7.0 million. The increase was primarily the result of $7.6 million of provision for loan losses at the District Associations. See further discussion in the *Provision for Credit Losses* section above. The allowance for credit losses was 0.42 percent and 0.40 percent of total loans outstanding at March 31, 2024 and December 31, 2023, respectively. Additional detail on the allowance for credit losses is provided in the table below.

Allowance for Credit Losses by Portfolio

(dollars in thousands)	**March 31, 2024**				**December 31, 2023**			
	Bank's Capital Markets	**Bank's Correspondent Lending**	**District Associations Combined**	**Total**	**Bank's Capital Markets**	**Bank's Correspondent Lending**	**District Associations Combined**	**Total**
Asset-specific component	$ 3,526	$ 589	$ 20,188	$ 24,303	$ 4,386	$ 479	$ 31,706	$ 36,571
Pooled component	17,779	16,707	98,582	133,068	16,394	18,161	79,372	113,927
Unfunded commitments	4,039	—	9,476	13,515	4,039	—	9,326	13,365
Allowance for Credit Losses	$ 25,344	$ 17,296	$ 128,246	$ 170,886	$ 24,819	$ 18,640	$ 120,404	$ 163,863

INVESTMENTS

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

The Bank's investments are primarily classified as available-for-sale. Refer to the Bank's First Quarter 2024 Report for additional information related to investments. District Associations also have regulatory authority to enter into certain government guaranteed investments, generally mortgage-backed or asset-backed securities. There were no District Associations that exceeded the regulatory limits for investments. There was no allowance for credit loss on District investments at March 31, 2024 or December 31, 2023. The following tables summarize the District's investments:

	March 31, 2024			
(dollars in thousands)	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
District Bank investments	$ 9,339,934	$ 3,655	$ (954,217)	$ 8,389,372
District Association investments	129,730	1,679	(1,723)	129,686
Total District investments	$ 9,469,664	$ 5,334	$ (955,940)	$ 8,519,058

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

At March 31, 2024, there were $950.2 million in net unrealized losses in available-for-sale investments, compared to $893.2 million in net unrealized losses at December 31, 2023. The net unrealized losses are the result of the significant increase in interest rates since the beginning of 2022 which decreased the fair value of existing available-for-sale fixed-rate investment securities. It is anticipated that these securities will be held until maturity with no loss realized. The Bank approximates it could cover 59 days of maturing debt through the sale of available-for-sale securities before recognizing a loss on sale of assets in the event the Bank could not access the markets to issue debt or raise cash through repurchase agreements.

CAPITAL

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

Total shareholders' equity increased $118.5 million, or 1.74 percent, from December 31, 2023, to $6.9 billion at March 31, 2024. The increase is primarily the result of net income of $156.5 million and is partially offset by an increase in the unrealized losses on the Bank's available-for-sale investment portfolio of $57.0 million.

Accumulated Other Comprehensive Income (Loss)

(dollars in thousands)	March 31, 2024	December 31, 2023
Unrealized loss on investment securities	$ (950,115)	$ (893,104)
Employee benefit plans activity	(216,090)	(221,682)
Total accumulated other comprehensive loss	$ (1,166,205)	$ (1,114,786)

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

Regulatory Capital Requirements and Ratios

As of March 31, 2024	Primary Components of Numerator	Regulatory Minimums	Minimum with Buffer	Bank	District Associations
Risk adjusted:					
Common equity tier 1 capital ratio	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	4.50 %	7.00 %	14.41%	15.56% - 34.14%
Tier 1 capital ratio	CET1 capital, non-cumulative perpetual preferred stock	6.00 %	8.50 %	14.41%	15.56% - 34.14%
Total capital ratio	Tier 1 capital, allowance for credit losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4]	8.00 %	10.50 %	14.66%	15.84% - 35.30%
Permanent capital ratio	Retained earnings, common stock, non-cumulative perpetual preferred stock, and subordinated debt, subject to certain limits	7.00 %	7.00 %	14.44%	15.87% - 34.50%
Non-risk adjusted:					
Tier 1 leverage ratio*	Tier 1 capital	4.00 %	5.00 %	5.73%	12.95% - 33.13%
URE and UREE component	URE and URE equivalents	1.50 %	1.50 %	4.45%	10.70% - 32.84%

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

REGULATORY MATTERS

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

On October 12, 2023, the Farm Credit Administration approved a final rule governing the Farm Credit System's service to young, beginning, and small (YBS) farmers and ranchers. The rule requires banks that fund the direct-lender associations to annually review and approve the association YBS programs. The rule also requires a direct-lender association to enhance the strategic plan of its YBS program. The strategic plan must contain specific elements that will be evaluated as part of a rating system to measure year-over-year internal progress, which would allow the Farm Credit Administration to compare the success of the direct-lender association's YBS program. The final rule became effective on February 14, 2024.

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

OTHER MATTERS

Direct Notes

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

At March 31, 2024, one Association (0.50 percent of total Direct Note), was operating under a special credit agreement with the Bank pursuant to the GFA and classified as Substandard. Presently, collection of the full Direct Note amount due is expected from all Associations, including the Association classified as Substandard, in accordance with the contractual terms of the debt arrangements, and no allowance has been recorded for Direct Notes. Virtually all assets of the Associations are pledged as collateral for their respective Direct Notes. In the opinion of management, all Association Direct Notes are adequately collateralized. The risk funds of an Association, including both capital and the allowance for credit losses, also protect the interest of the Bank should a Direct Note default.

The Farm Credit System Insurance Corporation (FCSIC), which insures the System's debt obligations, held assets that exceeded the secure base amount as defined by the Farm Credit Act, and on April 12, 2024, FCSIC announced a refund of excess funds to Farm Credit institutions. As a result, the AgFirst District received $12.6 million in insurance premium refunds in April.

Balance Sheets

(unaudited)

(dollars in thousands)	March 31, 2024	December 31, 2023
Assets		
Cash	**$ 782,608**	$ 658,758
Cash equivalents	**625,000**	835,000
Investments in debt securities	**8,519,446**	8,755,808
Loans	**40,755,410**	40,750,224
Allowance for loan losses	**(157,371)**	(150,498)
Net loans	**40,598,039**	40,599,726
Loans held for sale	**4,490**	71,888
Accrued interest receivable	**368,965**	372,401
Accounts receivable	**49,930**	58,956
Equity investments in other Farm Credit institutions	**66,157**	65,497
Other Investments	**7,393**	6,658
Premises and equipment, net	**343,091**	330,180
Other property owned	**4,181**	4,394
Other assets	**76,786**	67,299
Total assets	**$ 51,446,086**	$ 51,826,565
Liabilities		
Systemwide bonds payable	**$ 39,282,552**	$ 39,197,358
Systemwide notes payable	**4,307,286**	4,780,008
Accrued interest payable	**304,236**	244,994
Accounts payable	**60,419**	490,083
Advanced conditional payments	**31,401**	31,756
Other liabilities	**532,807**	273,492
Total liabilities	**44,518,701**	45,017,691
Shareholders' Equity		
Protected borrower equity	**445**	445
Capital stock and participation certificates	**185,050**	184,936
Additional paid-in-capital	**516,563**	516,563
Retained earnings		
Allocated	**2,240,434**	2,238,228
Unallocated	**5,151,098**	4,983,488
Accumulated other comprehensive loss	**(1,166,205)**	(1,114,786)
Total shareholders' equity	**6,927,385**	6,808,874
Total liabilities and equity	**$ 51,446,086**	$ 51,826,565

Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2024	2023
Interest Income		
Investments	**$ 88,702**	$ 74,630
Loans	**646,526**	541,058
Other	**5,611**	4,316
Total interest income	**740,839**	620,004
Interest Expense	**413,891**	281,890
Net interest income	**326,948**	338,114
Provision for credit losses	**6,916**	37,169
Net interest income after provision for credit losses	**320,032**	300,945
Noninterest Income		
Loan fees	**10,241**	10,092
Fees for financially related services	**3,325**	3,583
Losses on debt extinguishment	**(4,492)**	(1,263)
Gains on other transactions	**3,845**	2,748
Patronage refunds from other Farm Credit institutions	**1,530**	2,728
Other noninterest income	**2,003**	1,687
Total noninterest income	**16,452**	19,575
Noninterest Expenses		
Salaries and employee benefits	**105,407**	99,159
Occupancy and equipment	**7,224**	7,282
Insurance Fund premiums	**9,239**	16,114
Purchased services	**14,061**	17,554
Data processing	**12,968**	11,528
Other operating expenses	**30,891**	32,057
Gains from other property owned	**(47)**	(248)
Total noninterest expenses	**179,743**	183,446
Income before income taxes	**156,741**	137,074
Provision for income taxes	**276**	539
Net income	**$ 156,465**	$ 136,535
Other comprehensive (loss) income:		
Unrealized (losses) gains on investments	**$ (57,011)**	$ 113,645
Employee benefit plans adjustments	**5,592**	7,101
Other comprehensive (loss) income	**(51,419)**	120,746
Comprehensive income	**$ 105,046**	$ 257,281

DISTRICT ASSOCIATIONS

As of March 31, 2024

Associations	Direct Notes	% of Direct Note Total	Total Assets	Total Allowance and Capital	Total Regulatory Capital Ratio	Nonperforming Loans as a % of Total Loans	ROA
(dollars in thousands)							
Horizon Farm Credit, ACA	$ 5,498,114	22.64 %	$ 6,865,391	$ 1,255,053	15.84 %	0.47 %	1.94 %
AgSouth Farm Credit, ACA	3,482,186	14.34	4,406,897	841,606	18.02	0.43	2.45
AgCredit, ACA	2,749,879	11.32	3,321,045	532,128	18.66	0.60	2.27
First South Farm Credit, ACA	2,503,487	10.31	3,202,831	656,312	17.62	0.37	1.87
AgCarolina Farm Credit, ACA	2,075,698	8.55	2,659,959	529,871	17.12	0.48	2.49
Farm Credit of the Virginias, ACA	1,688,449	6.95	2,231,828	502,368	20.47	1.17	1.76
Farm Credit of Florida, ACA	1,221,518	5.03	1,619,861	369,753	19.27	0.70	2.28
AgGeorgia Farm Credit, ACA	1,127,347	4.64	1,449,725	294,769	19.44	0.58	1.94
Farm Credit of Central Florida, ACA	810,286	3.34	972,290	147,303	16.11	0.98	2.00
Central Kentucky, ACA	590,978	2.43	747,416	150,161	19.37	0.20	2.06
Colonial Farm Credit, ACA	577,218	2.38	802,951	207,741	23.06	0.19	2.29
ArborOne, ACA	549,052	2.26	688,247	132,816	17.62	0.85	2.66
Southwest Georgia Farm Credit, ACA	513,487	2.11	657,194	135,939	19.78	0.86	2.27
River Valley AgCredit, ACA	492,057	2.03	635,300	131,281	18.92	0.83	1.79
Farm Credit of Northwest Florida, ACA	290,297	1.20	395,785	98,205	22.97	0.06	1.60
Puerto Rico Farm Credit, ACA	114,183	0.47	177,303	62,518	35.30	2.10	2.13

AgFirst Farm Credit Bank

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803-799-5000
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AgFirst District Associations

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

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

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

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

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

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

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7104 Mechanicsville Turnpike
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