AgFirst

2024
SECOND QUARTER REPORT

PERSPECTIVE

SECOND QUARTER 2024

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CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2024, 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.

William T. Robinson
Chairman of the Board

Leon T. Amerson
Chief Executive Officer & President

Stephen Gilbert
Chief Financial Officer

August 8, 2024

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 June 30, 2024. 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 June 30, 2024, 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 June 30, 2024.

Leon T. Amerson
Chief Executive Officer & President

Stephen Gilbert
Chief Financial Officer

August 8, 2024

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

The following discussion reviews the results of operations and financial condition of AgFirst Farm Credit Bank (AgFirst or Bank) as of and for the three and six months ended June 30, 2024. These comments should be read in conjunction with the accompanying financial statements, the Notes to the Financial Statements, and the 2023 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 and six months may not be indicative of an entire year due to the seasonal nature of a portion of AgFirst's business and potential variability in interest rates and credit conditions.

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 2023 Annual Report. Terms not defined herein have the meaning set forth in the 2023 Annual Report.

FINANCIAL OVERVIEW

Net income for the six months ended June 30, 2024 declined 2.21 percent when compared to the prior year, primarily due to net interest margin compression as a result of higher interest rates and a lower, flatter Farm Credit callable yield curve. AgFirst is generally more profitable when interest rates fall, which allows AgFirst to call outstanding debt and replace it at lower rates. The decline in net interest income when compared to prior periods reflects a return to income levels that do not reflect the benefits of called debt. The decline in net interest margin when compared to the prior year is partially offset by lower provision expense. See further discussion within the *Results of Operations* section for other factors impacting the Bank's income.

The Bank's total loans outstanding increased by 1.60 percent during 2024 primarily as a result of growth within the Bank's Direct Note portfolio driven by growth in the underlying District Associations' portfolios. Excluding the growth in the Direct Note portfolio, the Bank's loan portfolio declined by 1.01 percent due to higher interest rates and continued inflationary pressures that have led to a reduction in home loan originations (which impacts the Bank's Correspondent Lending Portfolio) and large agribusiness loans (which impacts the Bank's Capital Markets portfolio). Year-over-year, the Bank's loan balances grew by 7.15% percent. Refer to the *Loan Portfolio* section for further discussion.

Strong capital and liquidity levels ensure AgFirst is well-positioned to manage the cyclical characteristics of the agricultural market, as well as the challenges and uncertainty of the overall economic environment. Refer to the *Risk Management* and *Capital* sections for further discussion.

RESULTS OF OPERATIONS

Net income for the six months ended June 30, 2024, was $131.8 million compared to $134.7 million for the six months ended June 30, 2023, a decrease of $3.0 million, or 2.21 percent. Net income for the three months ended June 30, 2024, was $66.1 million compared to $64.4 million for the three months ended June 30, 2023, an increase of $1.6 million, or 2.56 percent. See below for further discussion of the change in net income by major components.

Key Results of Operations Comparisons

	Annualized for the Six Months Ended		For the Year Ended
	June 30, 2024	June 30, 2023	December 31, 2023
Return on average assets	0.60 %	0.64 %	0.62 %
Return on average shareholders' equity	15.78 %	16.99 %	16.67 %
Net interest margin	0.81 %	1.22 %	1.16 %
Efficiency ratio [1]	49.15 %	45.54 %	47.61 %
Net (charge-offs) recoveries to average loans	(0.01)%	(0.03)%	(0.05)%

[1] The efficiency ratio is noninterest expense excluding losses (gains) from other property owned divided by total revenue (net interest income and noninterest income)

AgFirst provides a revolving line of credit, referred to as a Direct Note, to each of the District Associations. See the *Direct Notes* section for further details on the relationship. Prior to January 1, 2024, the rate applied to the Direct Notes included the Associations' allocation of technology and software services provided by the Bank. Effective January 1, 2024, the Bank and Associations amended the line of credit agreement to exclude the Associations' allocation of costs for Bank-provided services from the Direct Note rate. The master service agreement was also amended to bill the Associations for these services separately on a monthly basis. This change had minimal impact on the Bank's net income but did result in a lower net interest margin as it effectively reclassified the income received from interest income to noninterest income. If this amendment was in effect during 2023, the Bank would have had lower interest income and corresponding higher noninterest income of $19.6 million and $38.3 million for the three and six months ended June 30, 2023, respectively. The table below reflects pro forma prior year results for comparison purposes.

	For the three months ended			For the six months ended		
	June 30, 2024	June 30, 2023	June 30, 2023*	June 30, 2024	June 30, 2023	June 30, 2023*
Interest Income	$ 481,266	$ 425,544	$ 405,991	$ 950,742	$ 815,322	$ 777,005
Interest Expense	394,241	303,956	303,956	774,663	562,509	562,509
Net Interest Income	87,025	121,588	102,035	176,079	252,813	214,496
Provision for credit losses	(9,661)	(3,130)	(3,130)	(10,480)	12,286	12,286
Noninterest Income	27,950	2,629	22,182	62,060	17,162	55,479
Noninterest Expense	58,540	62,898	62,898	116,859	122,945	122,945
Net Income	$ 66,096	$ 64,449	$ 64,449	$ 131,760	$ 134,744	$ 134,744
Net Interest Margin	0.80 %	1.16 %	0.97 %	0.81 %	1.22 %	1.03 %

**Reflects the pro forma results if the revised Direct Note rate had been in effect during 2023*

Net income for the six months declined when compared to the prior year primarily as a result of lower net interest income as reflected in the table above and is partially offset by provision reversals during 2024 and higher noninterest income. See further discussion in the *Net Interest Income* and *Provision for Credit Losses* sections below. While noninterest expense declined when compared to the prior year, the efficiency ratio deteriorated primarily due to lower net interest income. Net (charge-offs) recoveries were minimal for all periods.

Net Interest Income

Net interest income for the three months ended June 30, 2024, was $87.0 million and the net interest margin was 0.80 percent. After adjusting the prior year to reflect the Direct Note rate change discussed above, net interest income was $102.0 million and the net interest margin was 0.97 percent for the three months ended June 30, 2023.

This resulted in a decline in net interest income and net interest margin of $15.0 million (14.71 percent) and 17 basis points, respectively, when compared to the adjusted prior year results.

Net interest income for the six months ended June 30, 2024, was $176.1 million and the net interest margin was 0.81 percent, and after adjusting the prior year to reflect the Direct Note rate change discussed above, net interest income was $214.5 million, and the net interest margin was 1.03 percent for the six months ended June 30, 2023. This resulted in a decrease in net interest income and net interest margin of $38.4 million (17.91 percent), and 22 basis points, respectively, when compared to the adjusted prior year results.

A significant volume of the Bank's assets have long-term, fixed-rate, prepayable payment structures. To mitigate interest rate risk exposure, the Bank funds such assets predominately with fixed-rate, callable debt having maturities similar to the assets funded. When interest rates fall, as they did during 2020, 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 that does not reflect the benefits of called debt over time as the assets reprice.

The effects of changes in volume and interest rates on net interest income for the three and six months ended June 30, 2024, as compared with the corresponding periods in 2023, after adjusting the prior year to reflect the Direct Note rate change discussed above, 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 June 30, 2024 vs. June 30, 2023*			**For the Six Months Ended June 30, 2024 vs. June 30, 2023***		
	Increase (decrease) due to changes in:			**Increase (decrease) due to changes in:**		
(dollars in thousands)	**Volume**	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest Income:						
Loans	$ 22,461	$ 47,072	$ 69,533	$ 48,725	$ 105,281	$ 154,006
Investments & Cash Equivalents	(5,769)	10,089	4,320	(6,287)	23,300	17,013
Other	959	463	1,422	1,429	1,289	2,718
Total Interest Income	17,651	57,624	75,275	43,867	129,870	173,737
Interest Expense:						
Interest-Bearing Liabilities	11,397	78,888	90,285	30,194	181,960	212,154
Changes in Net Interest Income	$ 6,254	$ (21,264)	$ (15,010)	$ 13,673	$ (52,090)	$ (38,417)

**Reflects the pro forma results if the revised Direct Note rate had been in effect during 2023*

Provision for Credit Losses

AgFirst measures risks inherent in its loan portfolio on an ongoing basis and, as necessary, recognizes provision for credit losses so that appropriate reserves are maintained. The provision for credit loss includes the provision for loan loss and the provision for unfunded commitments. The provision for loan losses is further broken down to include an asset-specific component involving individual loans that do not share common characteristics with other loans and a pooled component for loans that share common risk characteristics. This is shown in the following table by portfolio segment:

	For the three months ended					
(dollars in thousands)	**June 30, 2024**			**June 30, 2023**		
Provision for (reversal of) allowance for credit losses:	**Capital Markets**	**Correspondent Lending**	**Total**	**Capital Markets**	**Correspondent Lending**	**Total**
Asset-specific component	$ (1,341)	$ (45)	$ (1,386)	$ 663	$ 95	$ 758
Pooled component	1,081	(9,692)	(8,611)	1,206	(5,507)	(4,301)
Unfunded commitments	336	—	336	413	—	413
Provision for credit losses	$ 76	$ (9,737)	$ (9,661)	$ 2,282	$ (5,412)	$ (3,130)

(dollars in thousands)	For the six months ended June 30, 2024			For the six months ended June 30, 2023		
Provision for (reversal of) allowance for credit losses:	**Capital Markets**	**Correspondent Lending**	**Total**	**Capital Markets**	**Correspondent Lending**	**Total**
Asset-specific component	$ (2,200)	$ 64	$ (2,136)	$ 14,667	$ 101	$ 14,768
Pooled component	2,465	(11,145)	(8,680)	(2,224)	683	(1,541)
Unfunded commitments	336	—	336	(941)	—	(941)
Provision for credit losses	$ 601	$ (11,081)	$ (10,480)	$ 11,502	$ 784	$ 12,286

For the three and six months ended June 30, 2024, there was a reversal of credit losses of $9.7 million and $10.5 million, respectively, primarily as a result of provision reversals in the second quarter of 2024 in the pooled component of the Correspondent Lending portfolio. This was due to an update in the model used to calculate the loss given default (LGD) that incorporates additional data that more closely aligns with the agency underwriting standards. In addition, there was a provision reversal within the asset-specific component of the Capital Markets portfolio reserves during 2024 primarily related to an increase in the collateral valuation upon the transfer of one relationship in the tree fruits and nuts segment to other property owned during the second quarter. The OPO balance of this property was $3.1 million at June 30, 2024.

For the three and six months ended June 30, 2023, the provision for credit loss was a $3.1 million reversal and $12.3 million expense, respectively. For the three months ended June 30, 2023, the provision reversal was primarily due to $5.5 million of provision reversals within the pooled component of the Correspondent Lending portfolio as a result of a model refinement in the second quarter which reduced overall provision requirements. For the six months ended June 30, 2023, the provision expense was primarily related to an increase in the asset-specific component of the reserves within the Capital Markets portfolio related to the downgrade of a few isolated borrowers with the most significant being in the tree fruits and nuts segment which was transferred to OPO in 2024 as outlined above.

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

Noninterest Income

The following table illustrates the changes in noninterest income:

Change in Noninterest Income	**For the Three Months Ended June 30,**			**For the Six Months Ended June 30,**		
(dollars in thousands)	**2024**	**2023**	**Increase/ (Decrease)**	**2024**	**2023**	**Increase/ (Decrease)**
Loan fees	$ 3,047	$ 3,021	$ 26	$ 5,977	$ 6,523	$ (546)
Gains on investments, net	105	—	105	105	—	105
Losses on debt extinguishment	(510)	(2,448)	1,938	(5,002)	(3,711)	(1,291)
Gains on other transactions	308	222	86	1,615	394	1,221
Insurance premium refund	5,400	—	5,400	5,400	—	5,400
Patronage refunds from other Farm Credit institutions	(1,547)	16	(1,563)	11,461	9,837	1,624
Fees from other Farm Credit institutions	19,875	502	19,373	39,820	1,572	38,248
Other noninterest income	1,272	1,316	(44)	2,684	2,547	137
Total noninterest income	$ 27,950	$ 2,629	$ 25,321	$ 62,060	$ 17,162	$ 44,898

For the three and six months ended June 30, 2024 compared to the corresponding periods in 2023, noninterest income increased $25.3 million and $44.9 million, respectively. Line-item dollar variances greater than $2.0 million are discussed below.

During 2024, the Bank received insurance premium refunds of $5.4 million from the Farm Credit System Insurance Corporation (FCSIC), which insures the System's debt obligations. These refunds are nonrecurring and resulted from FCSIC assets exceeding the secure base amount, as defined by the Farm Credit Act, at the end of the preceding year. No refunds were received in 2023.

Fees from other Farm Credit institutions increased by $19.4 million and $38.2 million for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023. The increase is primarily due to the Direct Note rate change discussed above. If the amendment had been in effect during 2023, Fees from other Farm Credit institutions would have been $20.1 million and $39.9 million for the three and six months ended June 30, 2023, respectively, resulting in minimal variance compared to the current periods.

Noninterest Expenses

The following table illustrates the changes in noninterest expenses:

Change in Noninterest Expenses	**For the Three Months Ended June 30,**			**For the Six Months Ended June 30,**		
(dollars in thousands)	**2024**	**2023**	**Increase/ (Decrease)**	**2024**	**2023**	**Increase/ (Decrease)**
Salaries and employee benefits	$ 24,390	$ 21,988	$ 2,402	$ 50,305	$ 44,831	$ 5,474
Occupancy and equipment	1,729	1,967	(238)	3,488	3,650	(162)
Insurance Fund premiums	3,807	6,888	(3,081)	7,357	13,589	(6,232)
Purchased services	10,832	15,033	(4,201)	20,809	28,067	(7,258)
Data processing	11,923	10,870	1,053	23,233	20,887	2,346
Other operating expenses	5,854	6,152	(298)	11,841	11,921	(80)
Losses (gains) from other property owned	5	—	5	(174)	—	(174)
Total noninterest expenses	$ 58,540	$ 62,898	$ (4,358)	$ 116,859	$ 122,945	$ (6,086)

Noninterest expenses for the three and six months ended June 30, 2024 decreased $4.4 million and $6.1 million, respectively, compared to the corresponding periods in 2023. Line-item dollar variances greater than $2.0 million are discussed below.

Salaries and employee benefits increased $2.4 million and $5.5 million for the three and six months ended June 30, 2024, respectively, when compared to the same periods in 2023. The increase is primarily due to lower deferred personnel costs after the implementation of a new mortgage loan origination system and a new loan accounting system in 2023 and higher salaries from annual merit adjustments.

Insurance Fund premiums decreased by $3.1 million and $6.2 million for the three and six months ended June 30, 2024, respectively, when compared to the same periods in 2023. The decrease is due to a reduction in the premium rate from 18 basis points in 2023 to 10 basis points in 2024. The premium rate will remain at 10 basis points for the remainder of 2024.

Purchased services decreased by $4.2 million and $7.3 million for the three and six months ended June 30, 2024, respectively, when compared to the same periods in 2023. The decrease is a result of reduced contractor and consultant expenses in 2024 following the implementation of new systems discussed above.

Data processing increased by $2.3 million for the six months ended June 30, 2024 when compared to the same period in 2023 primarily as the result of higher software expense related to the new systems implemented in 2023 discussed above.

FINANCIAL CONDITION

Loan Portfolio

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

Loan Portfolio	June 30,	December 31,	June 30,	June 2024 Compared to December 2023		June 2024 Compared to June 2023	
(dollars in thousands)	2024	2023	2023	$ Change	% Change	$ Change	% Change
Direct Notes*	$ 23,814,653	$ 23,151,310	$ 21,874,799	$ 663,343	2.87 %	$1,939,854	8.87 %
Capital Markets*	7,558,312	7,729,125	7,284,788	(170,813)	(2.21)%	273,524	3.75 %
Correspondent Lending	3,331,252	3,278,327	3,222,890	52,925	1.61 %	108,362	3.36 %
Loans to OFIs	173,051	167,962	168,045	5,089	3.03 %	5,006	2.98 %
Total	$ 34,877,268	$ 34,326,724	$ 32,550,522	$ 550,544	1.60 %	$2,326,746	7.15 %

	Portfolio Distribution		
	June 30, 2024	December 31, 2023	June 30, 2023
Direct Notes*	68.28 %	67.44 %	67.20 %
Capital Markets*	21.67 %	22.52 %	22.38 %
Correspondent Lending	9.55 %	9.55 %	9.90 %
Loans to OFIs	0.50 %	0.49 %	0.52 %
Total	100.00 %	100.00 %	100.00 %

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

Loans outstanding totaled $34.9 billion at June 30, 2024, an increase of $550.5 million, or 1.60 percent, compared to total loans outstanding at December 31, 2023 and an increase of $2.3 billion, or 7.15 percent, since June 30, 2023.

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.

Since December 31, 2023, the Bank’s loan portfolio has increased primarily as a result of the Bank’s Direct Note portfolio which is driven by growth at the Bank’s District Associations, and is partially offset by a decline in the Bank’s Capital Markets portfolio. The Capital Markets portfolio declined due to higher interest rates and continued inflationary pressures that have led to fewer new loan issuances. Growth may continue to be challenged for the remainder of the year due to these factors. Compared to June 30, 2023, the year-over-year increase in loan growth was primarily in the forestry, processing, and field crops segments. See *Direct Notes*, *Capital Markets*, and *Correspondent Lending* sections below for further discussion of loan variances.

Credit Quality

Credit quality of AgFirst’s loans is shown below:

	Loan Portfolio Credit Quality as of:							
	June 30, 2024				December 31, 2023			
Classification	Direct Notes	Capital Markets	Correspondent Lending	Total Loans	Direct Notes	Capital Markets	Correspondent Lending	Total Loans
Acceptable	99.53 %	95.91 %	99.36 %	**98.73 %**	99.49 %	96.56 %	99.39 %	**98.82 %**
OAEM *	— %	1.97 %	— %	**0.43 %**	— %	1.78 %	— %	**0.40 %**
Substandard/doubtful/loss	0.47 %	2.12 %	0.64 %	**0.84 %**	0.51 %	1.66 %	0.61 %	**0.78 %**

**Other Assets Especially Mentioned*

Bank credit quality remained strong but declined slightly overall, primarily due to several downgrades within the Capital Markets portfolio. For both periods presented, one Direct Note is 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.

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.

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 June 30, 2024, the total Direct Note volume outstanding was $23.8 billion, an increase of $663.3 million, or 2.87 percent, compared to December 31, 2023. Cash patronage payments to Associations of approximately $218.6 million reduced Association Direct Notes at the beginning of 2024 by 0.94 percent. Compared to June 30, 2023, Direct Note volume increased $1.9 billion, or 8.87 percent. See the *Loan Portfolio* section above for the primary reasons for the change in Direct Notes.

Capital Markets

The Capital Markets portfolio consists of loan participations and syndications purchased primarily from other System institutions. As of June 30, 2024, this portfolio totaled $7.6 billion, a decrease of $170.8 million, or 2.21 percent, from December 31, 2023, and an increase of $273.5 million, or 3.75 percent, from June 30, 2023. See the *Loan Portfolio* section above for the primary reasons for the change in Capital Markets.

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

Correspondent Lending

The Correspondent Lending portfolio consists primarily of purchased first lien residential mortgages. As of June 30, 2024, the Correspondent Lending portfolio totaled $3.3 billion, an increase of $52.9 million, or 1.61 percent, from December 31, 2023, and an increase of $108.4 million, or 3.36 percent, from June 30, 2023. The net increase in both periods resulted from the disbursement of previously committed construction-to-permanent financing loans.

As of June 30, 2024, $520.7 million, or 15.63 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 Bank ceased participation in the LTSP program during 2013. The remaining loans are included in the Bank's allowance for credit losses methodology related to this portfolio.

Nonaccrual Loans

Nonaccrual loans for the Bank totaled $27.6 million at June 30, 2024 compared to $44.1 million at December 31, 2023. Nonaccrual loans were 0.08 percent and 0.13 percent of total loans outstanding for June 30, 2024 and December 31, 2023, respectively. Additional detail regarding nonaccrual loans is provided in the below table:

	Nonaccrual by Portfolio			
	June 30, 2024		December 31, 2023	
	Total Amount	% of Total	Total Amount	% of Total
Capital Markets	$ 3,355	12.17 %	$ 21,340	48.41 %
Correspondent Lending	24,215	87.83 %	22,741	51.59 %
Total	$ 27,570	100.00 %	$ 44,081	100.00 %

The decrease in nonaccruals during the year is primarily within the Capital Markets portfolio where one large relationship within the tree fruits and nuts segment transitioned to other property owned and another large relationship within the field crops and grains segment returned to accruing status.

Allowance for Credit Losses

The allowance for credit losses (ACL) is an estimate of expected credit losses in the Bank's portfolio. The Bank determines the appropriate level of allowance for credit losses based on a disciplined process and methodology that incorporates expected probabilities of default, severity of loss based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions. For further details on the methodology used to determine the ACL, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report. The ACL was $31.2 million at June 30, 2024, as compared with $43.5 million at December 31, 2023. Additional detail on the allowance for credit losses is provided in the table below:

	Allowance for Credit Losses by Portfolio					
(dollars in thousands)	June 30, 2024			December 31, 2023		
	Capital Markets	Correspondent Lending	Total	Capital Markets	Correspondent Lending	Total
Asset-specific component	$ 446	$ 488	$ 934	$ 4,386	$ 479	$ 4,865
Pooled component	18,860	7,015	25,875	16,394	18,161	34,555
Unfunded commitments	4,375	—	4,375	4,039	—	4,039
Allowance for Credit Losses	$ 23,681	$ 7,503	$ 31,184	$ 24,819	$ 18,640	$ 43,459

The allowance for credit losses was 0.09 percent and 0.13 percent of total loans outstanding for June 30, 2024 and December 31, 2023, respectively. A summary of changes in the allowance for credit losses during the year are included in the table below:

Balance at December 31, 2023	$ 43,459
Charge-offs	(1,820)
Recoveries	25
Reversal of provision for credit losses	(10,480)
Balance at June 30, 2024	$ 31,184

See *Provision for Credit Losses* above for additional details regarding provision expense for the six months ended June 30, 2024. See Note 2, *Loans and Allowance for Credit Losses*, in the Notes to the Financial Statements for further information.

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 three primary sources of liquidity: cash, the capacity to issue Systemwide Debt Securities through the Funding Corporation; and high-quality liquid securities. The Bank can also execute secured borrowings through repurchase agreements that are in place with twelve commercial banks. The cumulative amount these commercial banks have offered to lend against current collateral is $6.1 billion. However, there is no guarantee AgFirst will have access to such funds at any given time. In addition, the System has established lines of credit in the event contingency funding is needed to meet obligations of System banks.

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

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

The Farm Credit Act and Farm Credit Administration regulations require, as a condition for a Bank's participation in the issuance of Systemwide Debt Securities, that the Bank maintain specified eligible assets, referred to in the Farm Credit Act as "collateral," at least equal in value (100.00 percent) to the total amount of the debt securities outstanding for which it is primarily liable. At June 30, 2024 and December 31, 2023, the statutory collateral ratio was 103.46 percent and 103.95 percent, respectively. The decline in the ratio was due primarily to cash patronage of $252.7 million during the first quarter in addition to higher unrealized losses in the investments portfolio.

The System does not have a guaranteed line of credit from the U.S. Treasury or the Federal Reserve. However, 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 may 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 repay maturing debt obligations. The agreement provides for advances of up to $10 billion and will remain in full force and effect until terminated by either the FCSIC or the FFB. 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.

As of June 30, 2024, Moody's Investor Service (Moody's) assigned long-term debt ratings for the System of Aaa and short-term debt ratings of P-1. The Moody's rating is the highest ratings available from the three leading rating agencies. S&P Global Ratings (S&P) and Fitch Ratings (Fitch) 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. S&P and Fitch have assigned short-term debt ratings for the System of A-1+ and F1+, respectively. These rating agencies base their ratings on many quantitative and qualitative factors, including the System's status as a GSE.

At June 30, 2024, AgFirst had $42.9 billion in total debt outstanding compared to $42.7 billion at December 31, 2023, an increase of $240.7 million, or 0.56 percent, which coincides with changes in the loan and investment portfolio balances.

Cash and cash equivalents, which increased $85.9 million from December 31, 2023 to a total of $1.6 billion at June 30, 2024, 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 upcoming debt maturities and operational funding needs.

Investments in debt securities totaled $8.1 billion, or 18.00 percent of total assets at June 30, 2024, compared to $8.7 billion, or 19.23 percent of total assets as of December 31, 2023, a decrease of $542.3 million, or 6.27 percent. Nearly all investments are classified as being available-for-sale and include $41.9 million in U.S. Treasury securities, $3.4 billion in U.S. government guaranteed securities, $4.2 billion in U.S. government agency guaranteed securities, and $385.5 million in non-agency asset-backed securities. Since the majority of the portfolio is invested in U.S. government guaranteed and agency securities, the portfolio is highly liquid and potential credit loss exposure is limited. In the second quarter, $224.8 million of non-agency backed securities were sold for a net gain of $105 thousand. 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.

At June 30, 2024, the Bank's eligible available-for-sale investments were 28.23 percent of its quarterly average daily balance of loans outstanding, which is within regulatory and policy guidelines.

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. At June 30, 2024, AgFirst had a total of 186 days of maturing debt coverage compared to 219 days at December 31, 2023. 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.

At June 30, 2024, there were $951.1 million (10.51 percent of the book value of the available-for-sale portfolio) in net unrealized losses in investments, compared to $893.2 million (9.37 percent) at December 31, 2023. The net unrealized losses are the result of the significant increase in interest rates during 2022 and 2023 which reduced the fair value of existing available-for-sale fixed-rate investment securities held. It is anticipated that these securities will be held until maturity with no loss realized. In the unlikely event the Bank could not access the capital markets to issue debt or raise cash through repurchase agreements, the Bank approximates it could cover 67 days of maturing debt through the sale of available-for-sale securities before recognizing a net loss on sale of assets.

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

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 $72.2 million, or 4.29 percent, from December 31, 2023 to $1.8 billion at June 30, 2024. This increase is primarily attributed to an increase in retained earnings from net income of $131.8 million and is partially offset by an increase in the unrealized loss position of the Bank's available-for-sale investment portfolio of $57.9 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*	6/30/24	12/31/23	6/30/23
Permanent Capital Ratio	7.00%	14.84%	15.41%	14.15%
Common Equity Tier 1 (CET1) Capital Ratio	7.00%	14.81%	15.37%	14.11%
Tier 1 Capital Ratio	8.50%	14.81%	15.37%	14.11%
Total Regulatory Capital Ratio	10.50%	15.05%	15.66%	14.42%
Tier 1 Leverage Ratio**	5.00%	5.87%	6.08%	5.75%
Unallocated Retained Earnings (URE) and URE Equivalents	1.50%	4.59%	4.64%	4.76%

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

For all periods presented, AgFirst exceeded minimum regulatory requirements for all of the ratios. The Bank's capital ratios were lower at June 30, 2024 compared to December 31, 2023 primarily due to the payment of 2023 cash patronage of $252.7 million on December 31, 2023, which represented 95.23 percent of 2023 income, and were higher when compared to the same period in the prior year, primarily as a result of the increase to the Association minimum required investment in AgFirst stock, which occurred in October 2023.

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 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 necessary 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.

EXECUTIVE MANAGEMENT DEPARTURE

William Brown, Executive Vice President and Chief Credit & Lending Officer, will be retiring effective September 30, 2024. AgFirst has begun actively seeking his replacement.

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)		June 30, 2024		December 31, 2023
		(unaudited)		**(audited)**
Assets				
Cash	**$**	**636,754**	$	655,814
Cash equivalents		**940,000**		835,000
Investments in debt securities:				
Available-for-sale (amortized cost of $9,049,356, and $9,532,696, respectively)		**8,098,294**		8,639,487
Held-to-maturity (fair value of $9,667, and $10,924, respectively)		**10,092**		11,150
Total investments in debt securities		**8,108,386**		8,650,637
Loans		**34,877,268**		34,326,724
Allowance for credit losses on loans		**(26,809)**		(39,420)
Net loans		**34,850,459**		34,287,304
Loans held for sale		**7,987**		29,669
Accrued interest receivable		**159,821**		162,757
Accounts receivable		**63,204**		90,908
Equity investments in other Farm Credit institutions		**91,782**		91,887
Premises and equipment, net		**154,357**		148,391
Other property owned		**3,192**		260
Other assets		**39,561**		33,195
Total assets	**$**	**45,055,503**	$	44,985,822
Liabilities				
Systemwide bonds payable	**$**	**40,159,430**	$	39,197,358
Systemwide notes payable		**2,764,747**		3,486,082
Accrued interest payable		**297,179**		237,253
Accounts payable		**33,045**		333,736
Other liabilities		**46,197**		48,645
Total liabilities		**43,300,598**		43,303,074
Commitments and contingencies (Note 9)				
Shareholders' Equity				
Capital stock and participation certificates		**568,058**		561,527
Additional paid-in-capital		**63,668**		63,668
Retained earnings				
Allocated		**413**		413
Unallocated		**2,073,601**		1,950,133
Accumulated other comprehensive loss		**(950,835)**		(892,993)
Total shareholders' equity		**1,754,905**		1,682,748
Total liabilities and equity	**$**	**45,055,503**	$	44,985,822

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

Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended June 30, 2024	For the Three Months Ended June 30, 2023	For the Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023
Interest Income				
Investments & Cash Equivalents	**$ 83,797**	$ 79,477	**$ 170,675**	$ 153,662
Loans	**391,694**	341,714	**768,683**	652,994
Other	**5,775**	4,353	**11,384**	8,666
Total interest income	**481,266**	425,544	**950,742**	815,322
Interest Expense	**394,241**	303,956	**774,663**	562,509
Net interest income	**87,025**	121,588	**176,079**	252,813
(Reversal of) provision for credit losses	**(9,661)**	(3,130)	**(10,480)**	12,286
Net interest income after (reversal of) provision for credit losses	**96,686**	124,718	**186,559**	240,527
Noninterest Income				
Loan fees	**3,047**	3,021	**5,977**	6,523
Gains on investments, net	**105**	—	**105**	—
Losses on debt extinguishment	**(510)**	(2,448)	**(5,002)**	(3,711)
Gains on other transactions	**308**	222	**1,615**	394
Insurance premium refund	**5,400**	—	**5,400**	—
Patronage refunds from other Farm Credit institutions	**(1,547)**	16	**11,461**	9,837
Fees from other Farm Credit institutions	**19,875**	502	**39,820**	1,572
Other noninterest income	**1,272**	1,316	**2,684**	2,547
Total noninterest income	**27,950**	2,629	**62,060**	17,162
Noninterest Expenses				
Salaries and employee benefits	**24,390**	21,988	**50,305**	44,831
Occupancy and equipment	**1,729**	1,967	**3,488**	3,650
Insurance Fund premiums	**3,807**	6,888	**7,357**	13,589
Purchased services	**10,832**	15,033	**20,809**	28,067
Data processing	**11,923**	10,870	**23,233**	20,887
Other operating expenses	**5,854**	6,152	**11,841**	11,921
Losses (gains) from other property owned	**5**	—	**(174)**	—
Total noninterest expenses	**58,540**	62,898	**116,859**	122,945
Net income	**$ 66,096**	$ 64,449	**$ 131,760**	$ 134,744
Other comprehensive loss:				
Unrealized losses on investments	**$ (844)**	$ (113,762)	**$ (57,853)**	$ (115)
Employee benefit plans adjustments	**6**	6	**11**	11
Other comprehensive loss (Note 5)	**(838)**	(113,756)	**(57,842)**	(104)
Comprehensive income (loss)	**$ 65,258**	$ (49,307)	**$ 73,918**	$ 134,640

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

Statements of Changes in Shareholders' Equity

(unaudited)

(dollars in thousands)	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, 2022	$ 300,539	$ 63,668	$ 123,413	$ 1,957,897	$ (993,898)	$ 1,451,619
Cumulative effect of change in accounting principle				(15,654)		(15,654)
Comprehensive income				265,320	100,905	366,225
Capital stock/participation certificates issued/(retired), net	132,320					132,320
Stock dividends declared/paid	5,668			(5,668)		—
Cash patronage distribution				(251,198)		(251,198)
Redesignation of allocated surplus	123,000		(123,000)			—
Patronage distribution adjustment				(564)		(564)
Balance at December 31, 2023	$ 561,527	$ 63,668	$ 413	$ 1,950,133	$ (892,993)	$ 1,682,748
Comprehensive income (loss)				**131,760**	**(57,842)**	**73,918**
Capital stock/participation certificates issued/(retired), net	**6,531**					**6,531**
Cash patronage				**(8,302)**		**(8,302)**
Patronage distribution adjustment				**10**		**10**
Balance at June 30, 2024	**$ 568,058**	**$ 63,668**	**$ 413**	**$ 2,073,601**	**$ (950,835)**	**$ 1,754,905**

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

Statements of Cash Flows

(unaudited)

(dollars in thousands)	For the Six Months Ended June 30, 2024	2023
Cash flows from operating activities:		
Net income	**$ 131,760**	$ 134,744
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation on premises and equipment	**13,537**	10,073
Amortization of net deferred loan fees and discount accretion	**(1,166)**	(2,328)
(Discount) premium amortization on investment securities	**(277)**	303
Discount accretion on bonds and notes	**81,836**	109,754
(Reversal of) provision for credit losses	**(10,480)**	12,286
Gains on other property owned, net	**(174)**	—
Gains on investments, net	**(105)**	—
Losses on debt extinguishment	**5,002**	3,711
Gains on other transactions	**(1,615)**	(394)
Net change in loans held for sale	**21,829**	(20)
Changes in operating assets and liabilities:		
Decrease (increase) in accrued interest receivable	**2,936**	(12,973)
Decrease in accounts receivable	**27,704**	16,624
Increase in accrued interest payable	**59,926**	61,811
Decrease in accounts payable	**(54,262)**	(37,316)
Change in other, net	**(7,466)**	(6,635)
Total adjustments	**137,225**	154,896
Net cash provided by operating activities	**268,985**	289,640
Cash flows from investing activities:		
Investment securities purchased	**(261,448)**	(234,329)
Proceeds from maturities and prepayments of investment securities	**521,401**	664,224
Proceeds from sales of investment securities	**224,827**	—
Net increase in loans	**(557,983)**	(1,083,858)
Decrease in equity investments in other Farm Credit System institutions	**105**	208
Purchase of premises, software and equipment	**(19,839)**	(32,242)
Proceeds from sale of premises and equipment	**130**	95
Proceeds from sale of other property owned	**4,052**	—
Net cash used in investing activities	**(88,755)**	(685,902)
Cash flows from financing activities:		
Bonds and notes issued	**12,076,899**	11,681,938
Bonds and notes retired	**(11,923,000)**	(10,827,000)
Capital stock and participation certificates issued/(retired), net	**6,531**	—
Distribution to shareholders	**(254,720)**	(218,206)
Net cash (used in) provided by financing activities	**(94,290)**	636,732
Net increase in cash and cash equivalents	**85,940**	240,470
Cash and cash equivalents, beginning of period	**1,490,814**	1,096,392
Cash and cash equivalents, end of period	**$ 1,576,754**	$ 1,336,862
Supplemental schedule of non-cash activities:		
Receipt of property in settlement of loans	**$ 6,810**	$ —
Change in unrealized losses on investments, net	**(57,853)**	(115)
Cumulative effect of a change in accounting principle	**—**	(15,654)
Employee benefit plans adjustments	**(11)**	(11)
Supplemental information:		
Interest paid	**$ 632,903**	$ 390,945

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). Descriptions 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, 2023 are contained in the 2023 Annual Report to Shareholders. These unaudited interim financial statements should be read in conjunction with the latest Annual Report to Shareholders.

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 and Estimates

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

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

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

Accounting Standards Updates (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 November 2023, the FASB issued ASU 2023-07 -Segment Reporting: Improvements to Reportable Segment Disclosures. The standard requires a public entity to disclose, on an annual and interim basis, the following:

- significant segment expenses that are readily provided to the chief operating decision maker ("CODM") and included in segment profit or loss,
- composition and aggregate amount of other segment items, which represent the difference between profit or loss and segment revenues less significant segment expenses,
- the title and position of the CODM, and
- an explanation of how the CODM uses the reported segment measures in assessing segment performance and deciding how to allocate resources.

Even if a public entity has a single reportable segment, it is required to provide all disclosures set forth in the standard and all existing segment disclosures. The amendments in the standard are to be applied retrospectively to all prior periods presented and are effective for fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Bank is currently assessing the potential impact of this standard on its disclosures.

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

Note 2 — Loans and Allowance for Credit Losses

A summary of loans outstanding at period end follows:

(dollars in thousands)	June 30, 2024	December 31, 2023
Direct Notes	$ 23,814,653	$ 23,151,310
Real estate mortgage	1,127,726	1,149,186
Production and intermediate-term	1,202,532	1,389,873
Agribusiness:		
Loans to cooperatives	535,248	556,928
Processing and marketing	2,116,747	2,001,088
Farm-related business	114,749	101,562
Rural infrastructure:		
Communication	779,224	794,993
Power and water/waste disposal	1,668,935	1,729,869
Rural residential real estate	3,228,678	3,172,405
Other:		
International	109,848	106,454
Lease receivables	1,296	356
Loans to other financing institutions (OFIs)	173,051	167,962
Other (including Mission Related)	4,581	4,738
Total loans	$ 34,877,268	$ 34,326,724

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 borrowers engaged in similar activities, which would cause them to be similarly impacted by economic or other conditions. A substantial portion of the Associations' lending activities is collateralized, and their exposure to credit loss associated with lending activities is reduced accordingly. The risk funds of an Association, including both capital and the allowance for credit losses, also protect the interest of the Bank.

The Bank may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. During the first six months of 2024, the Bank purchased $214.5 million of residential mortgage loans from various Farm Credit System (System) associations and sold $25.8 million from the portfolio. These amounts are not included in the table below. The following tables present the principal balance of participation loans at periods ended:

	June 30, 2024					
	Within Farm Credit System		Outside Farm Credit System		Total	
(dollars in thousands)	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Direct Notes	$ —	$ 1,559,172	$ —	$ —	$ —	$ 1,559,172
Real estate mortgage	1,518,887	496,856	5,137	—	1,524,024	496,856
Production and intermediate-term	2,290,647	1,273,941	190,708	—	2,481,355	1,273,941
Agribusiness	2,425,306	1,560,611	1,907,000	—	4,332,306	1,560,611
Rural infrastructure	2,972,883	520,476	—	—	2,972,883	520,476
Other	189,075	73,114	—	—	189,075	73,114
Total	$ 9,396,798	$ 5,484,170	$ 2,102,845	$ —	$ 11,499,643	$ 5,484,170

	December 31, 2023					
	Within Farm Credit System		Outside Farm Credit System		Total	
(dollars in thousands)	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Direct Notes	$ —	$ 1,476,038	$ —	$ —	$ —	$ 1,476,038
Real estate mortgage	1,567,652	519,069	10,267	14,375	1,577,919	533,444
Production and intermediate-term	2,694,152	1,525,836	233,495	16,547	2,927,647	1,542,383
Agribusiness	2,280,281	1,500,646	1,885,517	—	4,165,798	1,500,646
Rural infrastructure	3,104,937	575,717	—	—	3,104,937	575,717
Other	181,575	69,754	—	—	181,575	69,754
Total	$ 9,828,597	$ 5,667,060	$ 2,129,279	$ 30,922	$ 11,957,876	$ 5,697,982

Loan Quality

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

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

The following table shows the amortized cost of loans classified under the Uniform Loan Classification System by origination year at June 30, 2024 and the gross charge-offs for the six months ended June 30, 2024:

	Term Loans Amortized Cost by Origination Year							
	2024	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Total**
Direct Notes								
Acceptable	$ —	$ —	$ —	$ —	$ —	$ —	$ 23,703,359	$ 23,703,359
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	—	—	—	—	—	—	111,294	111,294
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 23,814,653	$ 23,814,653
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real estate mortgage								
Acceptable	$ 7,912	$ 113,850	$ 186,745	$ 255,255	$ 99,394	$ 401,393	$ 18,603	$ 1,083,152
OAEM	—	—	—	5,124	—	3,230	2	8,356
Substandard/Doubtful/Loss	3,887	4,064	15,362	1,525	988	5,586	4,806	36,218
Total	$ 11,799	$ 117,914	$ 202,107	$ 261,904	$ 100,382	$ 410,209	$ 23,411	$ 1,127,726
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Production and intermediate-term								
Acceptable	$ 37,658	$ 159,945	$ 167,869	$ 62,680	$ 43,921	$ 133,024	$ 550,030	$ 1,155,127
OAEM	—	—	—	—	—	637	5,130	5,767
Substandard/Doubtful/Loss	2,107	4,310	8,184	—	263	53	26,721	41,638
Total	$ 39,765	$ 164,255	$ 176,053	$ 62,680	$ 44,184	$ 133,714	$ 581,881	$ 1,202,532
Gross charge-offs	$ —	$ 1,269	$ 35	$ —	$ —	$ 446	$ —	$ 1,750
Agribusiness								
Acceptable	$ 123,656	$ 291,021	$ 424,820	$ 352,362	$ 110,543	$ 392,896	$ 908,517	$ 2,603,815
OAEM	—	—	32,181	30,784	52	—	25,540	88,557
Substandard/Doubtful/Loss	—	6,526	282	—	19,441	4,213	43,910	74,372
Total	$ 123,656	$ 297,547	$ 457,283	$ 383,146	$ 130,036	$ 397,109	$ 977,967	$ 2,766,744
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Rural infrastructure								
Acceptable	$ 217,037	$ 678,484	$ 551,694	$ 364,576	$ 134,436	$ 336,145	$ 111,457	$ 2,393,829
OAEM	5,693	—	—	—	37,434	—	3,042	46,169
Substandard/Doubtful/Loss	—	1,951	—	—	—	6,049	161	8,161
Total	$ 222,730	$ 680,435	$ 551,694	$ 364,576	$ 171,870	$ 342,194	$ 114,660	$ 2,448,159
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Rural residential real estate								
Acceptable	$ 86,068	$ 296,824	$ 544,100	$ 577,652	$ 288,833	$ 1,413,986	$ —	$ 3,207,463
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	50	—	1,954	2,438	1,017	15,756	—	21,215
Total	$ 86,118	$ 296,824	$ 546,054	$ 580,090	$ 289,850	$ 1,429,742	$ —	$ 3,228,678
Gross charge-offs	$ —	$ —	$ 58	$ 5	$ 5	$ 2	$ —	$ 70
Other								
Acceptable	$ 932	$ 58,333	$ 16,887	$ 16,674	$ —	$ 19,575	$ 176,375	$ 288,776
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	—	—	—	—	—	—	—	—
Total	$ 932	$ 58,333	$ 16,887	$ 16,674	$ —	$ 19,575	$ 176,375	$ 288,776
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total Loans								
Acceptable	$ 473,263	$ 1,598,457	$ 1,892,115	$ 1,629,199	$ 677,127	$ 2,697,019	$ 25,468,341	$ 34,435,521
OAEM	5,693	—	32,181	35,908	37,486	3,867	33,714	148,849
Substandard/Doubtful/Loss	6,044	16,851	25,782	3,963	21,709	31,657	186,892	292,898
Total	$ 485,000	$ 1,615,308	$ 1,950,078	$ 1,669,070	$ 736,322	$ 2,732,543	$ 25,688,947	$ 34,877,268
Gross charge-offs	$ —	$ 1,269	$ 93	$ 5	$ 5	$ 448	$ —	$ 1,820

The following table shows the amortized cost of loans classified under the Uniform Loan Classification System by origination year at December 31, 2023 and the gross charge-offs for the year ended December 31, 2023:

	Term Loans Amortized Cost by Origination Year							
	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Total**
Direct Notes								
Acceptable	$ —	$ —	$ —	$ —	$ —	$ —	$ 23,032,728	$ 23,032,728
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	—	—	—	—	—	—	118,582	118,582
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 23,151,310	$ 23,151,310
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real estate mortgage								
Acceptable	$ 114,494	$ 186,831	$ 251,343	$ 103,023	$ 101,316	$ 325,190	$ 30,080	$ 1,112,277
OAEM	5,015	227	286	—	—	2,198	1	7,727
Substandard/Doubtful/Loss	182	20,342	—	—	—	3,853	4,805	29,182
Total	$ 119,691	$ 207,400	$ 251,629	$ 103,023	$ 101,316	$ 331,241	$ 34,886	$ 1,149,186
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 15	$ —	$ 15
Production and intermediate-term								
Acceptable	$ 193,650	$ 198,817	$ 62,944	$ 60,004	$ 33,610	$ 109,128	$ 698,143	$ 1,356,296
OAEM	1,612	237	44	—	15	46	6,009	7,963
Substandard/Doubtful/Loss	5,499	6,753	—	263	7,103	—	5,996	25,614
Total	$ 200,761	$ 205,807	$ 62,988	$ 60,267	$ 40,728	$ 109,174	$ 710,148	$ 1,389,873
Gross charge-offs	$ —	$ 2,967	$ —	$ —	$ 9,791	$ —	$ 2,149	$ 14,907
Agribusiness								
Acceptable	$ 321,533	$ 437,425	$ 324,583	$ 111,451	$ 122,394	$ 355,152	$ 857,445	$ 2,529,983
OAEM	—	23,081	21,195	105	—	—	13,717	58,098
Substandard/Doubtful/Loss	4,402	—	—	19,928	4,424	—	42,743	71,497
Total	$ 325,935	$ 460,506	$ 345,778	$ 131,484	$ 126,818	$ 355,152	$ 913,905	$ 2,659,578
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Rural infrastructure								
Acceptable	$ 685,153	$ 591,662	$ 418,882	$ 198,116	$ 154,184	$ 248,696	$ 162,455	$ 2,459,148
OAEM	17,542	—	—	37,434	—	6,047	2,624	63,647
Substandard/Doubtful/Loss	2,067	—	—	—	—	—	—	2,067
Total	$ 704,762	$ 591,662	$ 418,882	$ 235,550	$ 154,184	$ 254,743	$ 165,079	$ 2,524,862
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ 701	$ 701
Rural residential real estate								
Acceptable	$ 331,556	$ 636,568	$ 497,951	$ 335,076	$ 217,270	$ 1,134,017	$ —	$ 3,152,438
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	—	2,163	2,755	931	1,721	12,397	—	19,967
Total	$ 331,556	$ 638,731	$ 500,706	$ 336,007	$ 218,991	$ 1,146,414	$ —	$ 3,172,405
Gross charge-offs	$ —	$ —	$ 46	$ 15	$ —	$ 213	$ —	$ 274
Other								
Acceptable	$ 58,322	$ 16,883	$ 16,664	$ —	$ —	$ 19,674	$ 167,967	$ 279,510
OAEM	—	—	—	—	—	—	—	—
Substandard/Doubtful/Loss	—	—	—	—	—	—	—	—
Total	$ 58,322	$ 16,883	$ 16,664	$ —	$ —	$ 19,674	$ 167,967	$ 279,510
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total Loans								
Acceptable	$ 1,704,708	$ 2,068,186	$ 1,572,367	$ 807,670	$ 628,774	$ 2,191,857	$ 24,948,818	$ 33,922,380
OAEM	24,169	23,545	21,525	37,539	15	8,291	22,351	137,435
Substandard/Doubtful/Loss	12,150	29,258	2,755	21,122	13,248	16,250	172,126	266,909
Total	$ 1,741,027	$ 2,120,989	$ 1,596,647	$ 866,331	$ 642,037	$ 2,216,398	$ 25,143,295	$ 34,326,724
Gross charge-offs	$ —	$ 2,967	$ 46	$ 15	$ 9,791	$ 228	$ 2,850	$ 15,897

Accrued interest receivable on loans of $131.1 million and $132.4 million at June 30, 2024 and December 31, 2023, respectively, have been excluded from the amortized cost of loans and reported separately in the Balance Sheets.

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

	June 30, 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**
Direct Notes	$ —	$ —	$ —	$ 23,814,653	$ 23,814,653
Real estate mortgage	7,482	371	7,853	1,119,873	1,127,726
Production and intermediate-term	9,055	586	9,641	1,192,891	1,202,532
Agribusiness	150	—	150	2,766,594	2,766,744
Rural infrastructure	—	—	—	2,448,159	2,448,159
Rural residential real estate	17,940	7,001	24,941	3,203,737	3,228,678
Other	—	—	—	288,776	288,776
Total	$ 34,627	$ 7,958	$ 42,585	$ 34,834,683	$ 34,877,268

	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**
Direct Notes	$ —	$ —	$ —	$ 23,151,310	$ 23,151,310
Real estate mortgage	12,322	625	12,947	1,136,239	1,149,186
Production and intermediate-term	3,008	7,390	10,398	1,379,475	1,389,873
Agribusiness	587	—	587	2,658,991	2,659,578
Rural infrastructure	—	—	—	2,524,862	2,524,862
Rural residential real estate	56,551	10,129	66,680	3,105,725	3,172,405
Other	—	—	—	279,510	279,510
Total	$ 72,468	$ 18,144	$ 90,612	$ 34,236,112	$ 34,326,724

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

(dollars in thousands)	**June 30, 2024**	**December 31, 2023**
Nonaccrual loans:		
Real estate mortgage	$ 1,581	$ 3,083
Production and intermediate-term	311	16,864
Rural infrastructure	1,951	2,067
Rural residential real estate	23,727	22,067
Total	$ 27,570	$ 44,081
Accruing loans 90 days or more past due:		
Production and intermediate-term	$ 275	$ —
Total	$ 275	$ —
Total nonperforming loans	$ 27,845	$ 44,081
Other property owned	3,192	260
Total nonperforming assets	$ 31,037	$ 44,341
Nonaccrual loans as a percentage of total loans	0.08 %	0.13 %
Nonperforming assets as a percentage of total loans and other property owned	0.09 %	0.13 %
Nonperforming assets as a percentage of capital	1.77 %	2.64 %

The following tables provide the amortized cost for nonaccrual loans, as well as interest income recognized on nonaccrual loans during the period:

	June 30, 2024			Interest Income Recognized	
Nonaccrual loans:	**Amortized Cost with Allowance**	**Amortized Cost without Allowance**	**Total**	**For the Three Months Ended June 30, 2024**	**For the Six Months Ended June 30, 2024**
Real estate mortgage	$ —	$ 1,581	$ 1,581	$ 7	$ 26
Production and intermediate-term	—	311	311	3	26
Rural infrastructure	1,951	—	1,951	—	—
Rural residential real estate	827	22,900	23,727	324	572
Total	$ 2,778	$ 24,792	$ 27,570	$ 334	$ 624

	December 31, 2023			Interest Income Recognized	
Nonaccrual loans:	**Amortized Cost with Allowance**	**Amortized Cost without Allowance**	**Total**	**For the Three Months Ended June 30, 2023**	**For the Six Months Ended June 30, 2023**
Real estate mortgage	$ —	$ 3,083	$ 3,083	$ 3	$ 7
Production and intermediate-term	9,601	7,263	16,864	34	48
Rural infrastructure	2,067	—	2,067	—	—
Rural residential real estate	1,786	20,281	22,067	165	366
Total	$ 13,454	$ 30,627	$ 44,081	$ 202	$ 421

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

(dollars in thousands)	Real Estate Mortgage	Production and Intermediate -term	Agribusiness	Rural Infrastructure	Rural Residential Real Estate	Other	Total
Allowance for credit losses on loans:							
Balance at March 31, 2024	$ 2,478	$ 5,451	$ 9,308	$ 3,814	$ 17,296	$ 254	$ 38,601
Charge-offs	—	(1,750)	—	—	(64)	—	(1,814)
Recoveries	—	—	—	—	19	—	19
Provision for (reversal of) credit losses on loans	132	(962)	386	244	(9,751)	(46)	(9,997)
Balance at June 30, 2024	$ 2,610	$ 2,739	$ 9,694	$ 4,058	$ 7,500	$ 208	$ 26,809
Allowance for unfunded commitments:							
Balance at March 31, 2024	$ 34	$ 765	$ 2,782	$ 413	$ —	$ 45	$ 4,039
Provision for (reversal of) unfunded commitments	(7)	188	55	100	—	—	336
Balance at June 30, 2024	$ 27	$ 953	$ 2,837	$ 513	$ —	$ 45	$ 4,375
Total allowance for credit losses	**$ 2,637**	**$ 3,692**	**$ 12,531**	**$ 4,571**	**$ 7,500**	**$ 253**	**$ 31,184**
Allowance for credit losses on loans:							
Balance at December 31, 2023	$ 2,002	$ 5,894	$ 8,911	$ 3,840	$ 18,758	$ 15	$ 39,420
Charge-offs	—	(1,750)	—	—	(70)	—	(1,820)
Recoveries	—	—	—	—	25	—	25
Provision for (reversal of) credit losses on loans	608	(1,405)	783	218	(11,213)	193	(10,816)
Balance at June 30, 2024	$ 2,610	$ 2,739	$ 9,694	$ 4,058	$ 7,500	$ 208	$ 26,809
Allowance for unfunded commitments:							
Balance at December 31, 2023	$ 28	$ 732	$ 2,862	$ 374	$ —	$ 43	$ 4,039
Provision for (reversal of) unfunded commitments	(1)	221	(25)	139	—	2	336
Balance at June 30, 2024	$ 27	$ 953	$ 2,837	$ 513	$ —	$ 45	$ 4,375
Total allowance for credit losses	**$ 2,637**	**$ 3,692**	**$ 12,531**	**$ 4,571**	**$ 7,500**	**$ 253**	**$ 31,184**
Allowance for credit losses on loans:							
Balance at March 31, 2023	$ 1,654	$ 12,176	$ 6,961	$ 4,264	$ 25,485	$ 95	$ 50,635
Charge-offs	(15)	—	—	—	(117)	—	(132)
Recoveries	—	—	—	42	64	—	106
Provision for (reversal of) credit losses on loans	225	802	690	194	(5,433)	(24)	(3,546)
Balance at June 30, 2023	$ 1,864	$ 12,978	$ 7,651	$ 4,500	$ 19,999	$ 71	$ 47,063
Allowance for unfunded commitments:							
Balance at March 31, 2023	$ 21	$ 745	$ 2,483	$ 346	$ —	$ 39	$ 3,634
Provision for unfunded commitments	19	45	297	49	—	6	416
Balance at June 30, 2023	$ 40	$ 790	$ 2,780	$ 395	$ —	$ 45	$ 4,050
Total allowance for credit losses	**$ 1,904**	**$ 13,768**	**$ 10,431**	**$ 4,895**	**$ 19,999**	**$ 116**	**$ 51,113**
Allowance for credit losses on loans:							
Balance at December 31, 2022	$ 1,421	$ 6,757	$ 8,212	$ 2,945	$ 6,194	$ 541	$ 26,070
Cumulative effect of a change in accounting principle*	51	(1,308)	1,135	(403)	13,180	(493)	12,162
Balance at January 1, 2023	1,472	5,449	9,347	2,542	19,374	48	38,232
Charge-offs	(15)	(4,276)	—	—	(209)	—	(4,500)
Recoveries	—	—	—	42	64	—	106
Provision for (reversal of) credit losses on loans	407	11,805	(1,696)	1,916	770	23	13,225
Balance at June 30, 2023	$ 1,864	$ 12,978	$ 7,651	$ 4,500	$ 19,999	$ 71	$ 47,063
Allowance for unfunded commitments:							
Balance at December 31, 2022	$ —	$ 128	$ 1,338	$ 31	$ —	$ —	$ 1,497
Cumulative effect of a change in accounting principle*	28	654	2,365	404	—	41	3,492
Balance at January 1, 2023	$ 28	$ 782	$ 3,703	$ 435	$ —	$ 41	$ 4,989
Provision for (reversal of) unfunded commitments	12	8	(923)	(40)	—	4	(939)
Balance at June 30, 2023	$ 40	$ 790	$ 2,780	$ 395	$ —	$ 45	$ 4,050
Total allowance for credit losses	**$ 1,904**	**$ 13,768**	**$ 10,431**	**$ 4,895**	**$ 19,999**	**$ 116**	**$ 51,113**

**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*

There was no allowance for credit loss for the Direct Note portfolio at June 30, 2024, December 31, 2023, or June 30, 2023.

For the three and six months ended June 30, 2024, the ACL declined by $11.5 million and $12.3 million, respectively, primarily as a result of provision reversals in the second quarter of 2024 in the pooled component of the Correspondent Lending portfolio. The Correspondent Lending portfolio is primarily comprised of loans within the Rural Residential Real Estate segment in the table above. This was due to an update in the model to incorporate additional data that more closely aligns with the agency underwriting standards. In addition, there was a provision reversal within the asset-specific component of the Capital Markets portfolio reserves during 2024 primarily related to an increase in the collateral valuation upon the transfer of one relationship to other property owned during the second quarter.

Loan Modifications to Borrowers Experiencing Financial Difficulty

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

The following tables show the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during the three and six months ended June 30, 2024, disaggregated by loan type and type of modification granted:

	For the Three Months Ended June 30, 2024			
(dollars in thousands)	**Maturity Extension**	**Payment Deferral**	**Total**	**Percentage of Total by Loan Type**
Real estate mortgage	$ 2,379	$ —	$ 2,379	0.21 %
Production and intermediate-term	—	208	208	0.02 %
Agribusiness	4,666	—	4,666	0.17 %
Rural residential real estate	2,563	—	2,563	0.08 %
Total	$ 9,608	$ 208	$ 9,816	0.03 %

	For the Six Months Ended June 30, 2024			
(dollars in thousands)	**Maturity Extension**	**Payment Deferral**	**Total**	**Percentage of Total by Loan Type**
Real estate mortgage	$ 2,379	$ —	$ 2,379	0.21 %
Production and intermediate-term	—	208	208	0.02 %
Agribusiness	7,911	7,197	15,108	0.55 %
Rural residential real estate	3,155	—	3,155	0.10 %
Total	$ 13,445	$ 7,405	$ 20,850	0.06 %

The following table describes the financial effects of the modifications made to borrowers experiencing financial difficulty during the three months ended June 30, 2024:

	Maturity Extension
	Financial Effect
Real estate mortgage	Added a weighted average 1.1 years to the life of loans
Agribusiness	Added a weighted average 4.2 years to the life of loans
Rural residential real estate	Added a weighted average 11.1 years to the life of loans

	Payment Deferral
	Financial Effect
Agribusiness	Added a weighted average 0.2 years to the life of loans

The following table describes the financial effects of the modifications made to borrowers experiencing financial difficulty during the six months ended June 30, 2024:

	Maturity Extension
	Financial Effect
Real estate mortgage	Added a weighted average 1.1 years to the life of loans
Agribusiness	Added a weighted average 3.1 years to the life of loans
Rural residential real estate	Added a weighted average 10.6 years to the life of loans

	Payment Deferral
	Financial Effect
Production and intermediate-term	Added a weighted average 0.2 years to the life of loans
Agribusiness	Added a weighted average 0.5 years to the life of loans

The following tables set forth the amortized cost of loans to borrowers experiencing financial difficulty that defaulted during the three and six months ended June 30, 2024 and received a modification in the twelve months before default:

	For the Three Months Ended June 30, 2024
(dollars in thousands)	**Maturity Extension**
Rural residential real estate	$ 576
Total	$ 576

	For the Six Months Ended June 30, 2024
(dollars in thousands)	**Maturity Extension**
Rural residential real estate	$ 576
Total	$ 576

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to June 30, 2024:

(dollars in thousands)	**Current**	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total**
Real estate mortgage	$ 2,379	$ —	$ —	$ 2,379
Production and intermediate-term	3,070	—	—	3,070
Agribusiness	21,597	—	—	21,597
Rural residential real estate	4,579	846	—	5,425
Total	$ 31,625	$ 846	$ —	$ 32,471

Accrued interest receivable at the end of the reporting period related to loan modifications granted to borrowers experiencing financial difficulty during the three and six months ended June 30, 2024 was $179 thousand and $290 thousand, respectively. Additional commitments to lend to borrowers experiencing financial difficulties whose loans have been modified were $13.7 million and $16.2 million at June 30, 2024 and December 31, 2023, respectively.

Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the three or six months ended June 30, 2023. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at June 30, 2023. There were no modifications to distressed borrowers that occurred during the previous six months and for which there was a subsequent payment default during the period.

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). ABSs consist of ABSs issued through the Small Business Administration and guaranteed by the full faith and credit of the United States government as well as non-agency ABS.

Non-agency ABSs must meet the applicable FCA regulatory guidelines which require them to be high quality, senior class, and rated in the top category (AAA/Aaa) 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.

Debt securities designated as available for sale 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 for liquidity investments.

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 June 30, 2024, the Bank held $41.9 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:

	June 30, 2024				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Treasury Securities	$ 42,422	$ —	$ (569)	$ 41,853	1.62 %
U.S. Govt. Guaranteed	3,931,837	112	(507,283)	3,424,666	2.74
U.S. Govt. Agency Guaranteed	4,687,453	2,886	(444,054)	4,246,285	3.61
Non-Agency ABSs	387,644	632	(2,786)	385,490	4.64
Total	$ 9,049,356	$ 3,630	$ (954,692)	$ 8,098,294	3.26 %

	December 31, 2023				
(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
U.S. Govt. Treasury Securities	$ 42,385	$ —	$ (1,068)	$ 41,317	1.61 %
U.S. Govt. Guaranteed	4,105,757	1,292	(480,587)	3,626,462	2.70
U.S. Govt. Agency Guaranteed	4,700,716	1,325	(412,483)	4,289,558	3.50
Non-Agency ABSs	683,838	1,506	(3,194)	682,150	5.02
Total	$ 9,532,696	$ 4,123	$ (897,332)	$ 8,639,487	3.25 %

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:

	June 30, 2024								
(dollars in thousands)		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value	Yield
U.S. Govt. Agency Guaranteed	$	171	$	—	$	(2)	$	169	5.80 %
RABs and Other		9,921		69		(492)		9,498	5.81
Total	$	10,092	$	69	$	(494)	$	9,667	5.81 %

	December 31, 2023								
(dollars in thousands)		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value	Yield
U.S. Govt. Agency Guaranteed	$	184	$	—	$	(3)	$	181	5.80 %
RABs and Other		10,966		146		(369)		10,743	5.86
Total	$	11,150	$	146	$	(372)	$	10,924	5.86 %

A summary of the contractual maturity, estimated fair value and amortized cost of investment securities at June 30, 2024 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	$ 27,168	0.55 %	$ 14,685	3.61 %	$ —	— %	$ —	— %	$ 41,853	1.62 %
U.S. Govt. Guaranteed	—	—	49,706	2.92	404,026	2.45	2,970,934	2.77	3,424,666	2.74
U.S. Govt. Agency Guaranteed	28,640	1.45	711,676	5.26	1,100,782	5.54	2,405,187	2.45	4,246,285	3.61
Non-Agency ABSs	—	—	385,490	4.64	—	—	—	—	385,490	4.64
Total fair value	$ 55,808	1.01 %	$1,161,557	4.93 %	$1,504,808	4.65 %	$5,376,121	2.63 %	$8,098,294	3.26 %
Total amortized cost	$ 56,411		$1,175,337		$1,565,474		$6,252,134		$9,049,356	

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	$ —	— %	$ —	— %	$ 171	5.80 %	$ —	— %	$ 171	5.80 %
RABs and Other	—	—	—	—	—	—	9,921	5.81	9,921	5.81
Total amortized cost	$ —	— %	$ —	— %	171	5.80 %	$ 9,921	5.81 %	$ 10,092	5.81 %
Total fair value	$ —		$ —		$ 169		$ 9,498		$ 9,667	

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

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

	June 30, 2024					
	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	$ —	$ —	$ 41,853	$ (569)	$ 41,853	$ (569)
U.S. Govt. Guaranteed	130,575	(727)	3,255,313	(506,556)	3,385,888	(507,283)
U.S. Govt. Agency Guaranteed	276,880	(291)	3,245,624	(443,763)	3,522,504	(444,054)
Non-Agency ABSs	98,940	(40)	167,366	(2,746)	266,306	(2,786)
Total	$ 506,395	$ (1,058)	$ 6,710,156	$ (953,634)	$ 7,216,551	$ (954,692)

	December 31, 2023					
	Less Than 12 Months		12 Months Or Greater		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Govt. Treasury Securities	$ —	$ —	$ 41,317	$ (1,068)	$ 41,317	$ (1,068)
U.S. Govt. Guaranteed	82,468	(2,263)	3,414,490	(478,324)	3,496,958	(480,587)
U.S. Govt. Agency Guaranteed	334,638	(1,378)	3,619,731	(411,105)	3,954,369	(412,483)
Non-Agency ABSs	94,508	(473)	183,369	(2,721)	277,877	(3,194)
Total	$ 511,614	$ (4,114)	$ 7,258,907	$ (893,218)	$ 7,770,521	$ (897,332)

The Bank evaluates investment securities with unrealized losses for impairment on a quarterly basis. As part of this assessment, it was concluded that the Bank does not intend to sell the security, or it is not more likely than not that the Bank would be required to sell the security prior to recovery of the amortized cost basis. The Bank also evaluates whether credit impairment exists by comparing the present value of expected cash flows to the amortized cost basis of the security. Credit impairment, if any, is recorded as an ACL for debt securities. At June 30, 2024, the Bank does not consider these unrealized losses to be credit-related and an allowance for credit losses is not necessary.

Note 4 — Debt

Bonds and Notes

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

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

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

	June 30, 2024					
(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	$ 11,790,081	3.87 %	$ 2,764,747	5.27 %	$ 14,554,828	4.13 %
Greater than one year to two years	7,757,778	3.77	—	—	7,757,778	3.77
Greater than two years to three years	3,927,340	2.85	—	—	3,927,340	2.85
Greater than three years to four years	3,026,155	3.09	—	—	3,026,155	3.09
Greater than four years to five years	2,758,553	3.07	—	—	2,758,553	3.07
Greater than five years	10,899,523	4.04	—	—	10,899,523	4.04
Total	$ 40,159,430	3.68 %	$ 2,764,747	5.27 %	$ 42,924,177	3.79 %

Discount notes are issued with maturities of one year or less. The weighted average maturity of discount notes at June 30, 2024 was 89 days.

Note 5 — Shareholders' Equity

Accumulated Other Comprehensive Income

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Investment Securities:				
Balance at beginning of period	$ (950,218)	$ (880,536)	$ (893,209)	$ (994,183)
Other comprehensive income before reclassifications	(739)	(113,762)	(57,748)	(115)
Amounts reclassified from AOCI	(105)	—	(105)	—
Net current period other comprehensive loss	(844)	(113,762)	(57,853)	(115)
Balance at end of period	$ (951,062)	$ (994,298)	$ (951,062)	$ (994,298)
Cash Flow Hedges:				
Balance at beginning of period	$ —	$ —	$ —	$ —
Other comprehensive income before reclassifications	(7)	(21)	(40)	(37)
Amounts reclassified from AOCI	7	21	40	37
Net current period other comprehensive income	—	—	—	—
Balance at end of period	$ —	$ —	$ —	$ —
Employee Benefit Plans:				
Balance at beginning of period	$ 221	$ 290	$ 216	$ 285
Other comprehensive income before reclassifications	—	—	—	—
Amounts reclassified from AOCI	6	6	11	11
Net current period other comprehensive income	6	6	11	11
Balance at end of period	$ 227	$ 296	$ 227	$ 296
Total Accumulated Other Comprehensive Loss:				
Balance at beginning of period	$ (949,997)	$ (880,246)	$ (892,993)	$ (993,898)
Other comprehensive income before reclassifications	(746)	(113,783)	(57,788)	(152)
Amounts reclassified from AOCI	(92)	27	(54)	48
Net current period other comprehensive loss	(838)	(113,756)	(57,842)	(104)
Balance at end of period	$ (950,835)	$ (994,002)	$ (950,835)	$ (994,002)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*				
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		
(dollars in thousands)	**2024**	**2023**	**2024**	**2023**	**Income Statement Line Item**
Investment Securities:					
Sales gains & (losses)	$ 105	$ —	$ 105	$ —	Gains (losses) on investments, net
Net amounts reclassified	105	—	105	—	
Cash Flow Hedges:					
Gains (losses) on other transactions	(7)	(21)	(40)	(37)	Gains (losses) on other transactions
Net amounts reclassified	(7)	(21)	(40)	(37)	
Employee Benefit Plans:					
Periodic pension costs	$ (6)	$ (6)	$ (11)	$ (11)	See Note 8
Net amounts reclassified	(6)	(6)	(11)	(11)	
Total reclassifications for period	$ 92	$ (27)	$ 54	$ (48)	

(a) Amounts in parentheses indicate reductions to AOCI
(b) Amounts in parentheses indicate reductions 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.

	June 30, 2024				
(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	$ 41,853	$ —	$ 41,853	$ —	$ 41,853
U.S. Govt. guaranteed	3,424,666	—	3,424,666	—	3,424,666
U.S. Govt. Agency guaranteed	4,246,285	—	4,246,285	—	4,246,285
Non-agency ABSs	385,490	—	385,490	—	385,490
Total investments in debt securities available-for-sale	8,098,294	—	8,098,294	—	8,098,294
Cash equivalents	940,000	—	940,000	—	940,000
Assets held in trust funds	18,823	18,823	—	—	18,823
Recurring Assets	$ 9,057,117	$ 18,823	$ 9,038,294	$ —	$ 9,057,117
Nonrecurring Measurements					
Assets:					
Loans	$ 1,844	$ —	$ —	$ 1,844	$ 1,844
Other property owned	3,192	—	—	3,192	3,192
Loans held for sale	7,987	—	—	7,987	7,987
Nonrecurring Assets	$ 13,023	$ —	$ —	$ 13,023	$ 13,023
Other Financial Instruments					
Assets:					
Cash	$ 636,754	$ 636,754	$ —	$ —	$ 636,754
Investments in debt securities held-to-maturity	10,092	—	169	9,498	9,667
Loans	34,848,615	—	—	33,008,024	33,008,024
Other Financial Assets	$ 35,495,461	$ 636,754	$ 169	$ 33,017,522	$ 33,654,445
Liabilities:					
Systemwide debt securities	$ 42,924,177	$ —	$ —	$ 41,378,317	$ 41,378,317
Other Financial Liabilities	$ 42,924,177	$ —	$ —	$ 41,378,317	$ 41,378,317

(dollars in thousands)	December 31, 2023 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	$ 41,317	$ —	$ 41,317	$ —	$ 41,317
U.S. Govt. guaranteed	3,626,462	—	3,626,462	—	3,626,462
U.S. Govt. agency guaranteed	4,289,558	—	4,289,558	—	4,289,558
Non-agency ABSs	682,150	—	682,150	—	682,150
Total investments in debt securities available-for-sale	8,639,487	—	8,639,487	—	8,639,487
Cash equivalents	835,000	—	835,000	—	835,000
Assets held in trust funds	17,787	17,787	—	—	17,787
Recurring Assets	$ 9,492,274	$ 17,787	$ 9,474,487	$ —	$ 9,492,274
Nonrecurring Measurements					
Assets:					
Loans	$ 8,589	$ —	$ —	$ 8,589	$ 8,589
Other property owned	260	—	—	260	260
Loans held for sale	29,669	—	29,669	—	29,669
Nonrecurring Assets	$ 38,518	$ —	$ 29,669	$ 8,849	$ 38,518
Other Financial Instruments					
Assets:					
Cash	$ 655,814	$ 655,814	$ —	$ —	$ 655,814
Investments in debt securities held to maturity	11,150	—	181	10,743	10,924
Loans	34,278,715	—	—	32,603,724	32,603,724
Other Financial Assets	$ 34,945,679	$ 655,814	$ 181	$ 32,614,467	$ 33,270,462
Liabilities:					
Systemwide debt securities	$ 42,683,440	$ —	$ —	$ 41,105,112	$ 41,105,112
Other Financial Liabilities	$ 42,683,440	$ —	$ —	$ 41,105,112	$ 41,105,112

Uncertainty in Measurements of Fair Value

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

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

Investments in Debt Securities

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

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease). Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments.

Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

Inputs to Valuation Techniques

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

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

Quantitative Information about Recurring and Nonrecurring Level 2 and 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 — Revenue Recognition

Effective January 1, 2024, the Bank and Associations amended the line of credit agreement to exclude the Associations' allocation of costs for Bank-provided services from the Direct Note rate. The master service agreement was also amended to bill the Associations for these services separately on a monthly basis.

The following table presents income from services provided, primarily to other System entities. Core services include areas such as accounting and reporting, loan operations, human resources, information technology and security.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Core services	$ 19,348	$ —	$ 38,696	$ —
Expanded services	527	502	1,124	1,572
Total	$ 19,875	$ 502	$ 39,820	$ 1,572

Note 8 — Employee Benefit Plans

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Pension	$ 1,094	$ 1,049	$ 1,976	$ 1,973
401k	1,445	1,342	2,764	2,738
Other postretirement benefits	274	275	550	549
Total	$ 2,813	$ 2,666	$ 5,290	$ 5,260

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, 2024.

Further details regarding employee benefit plans are contained in the most recent Annual Report to Shareholders.

Note 9 — 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)	June 30, 2024	December 31, 2023
Total System bonds and notes	$ 420.7	$ 415.5

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 10 — Additional Financial Information

Offsetting of Financial Assets

(dollars in thousands)	June 30, 2024	December 31, 2023
Reverse repurchase and similar arrangements	$ 940,000	$ 835,000
Gross Amount of Recognized Assets	940,000	835,000
Reverse repurchase and similar arrangements	—	—
Gross Amounts Offset in the Balance Sheets	—	—
Net Amounts of Assets Presented in the Balance Sheets	$ 940,000	$ 835,000
Financial Instruments	(940,000)	(835,000)
Gross Amounts Not Offset in the Balance Sheets	(940,000)	(835,000)
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 11 — Subsequent Events

The Bank evaluated subsequent events and determined no subsequent events have occurred requiring disclosure through August 8, 2024, which was the date the financial statements were issued.

Additional Regulatory Information

(unaudited)

Overview

The following quantitative disclosures contain regulatory disclosures as required for the Bank under Regulation §628.62 and §628.63. These disclosures should be read in conjunction with our 2023 Annual Report, which includes additional qualitative disclosures. As required, these disclosures are made available for at least three years and can be accessed within the financial reports on AgFirst's website at www.agfirst.com.

SCOPE OF APPLICATION

AgFirst 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 June 30, 2024, the AgFirst District consisted of the Bank and 16 District Associations. All Associations 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 Associations, certain Other Financing Institutions (OFIs), and other System institutions. The Bank does not have any subsidiaries requiring consolidation; therefore, there are no consolidated entities for which the total capital requirement is deducted, there are no restrictions on transfer of funds or total capital with other consolidated entities and no subsidiary exists which is below the minimum total capital requirement individually or when aggregated at the Bank's level. In conjunction with other System entities, the Bank jointly owns certain service organizations: the Federal Farm Credit Banks Funding Corporation (Funding Corporation), the FCS Building Association (FCSBA), and the Farm Credit Association Captive Insurance Corporation (Captive). Certain of the Bank's investments in other System institutions, including the investment in the Funding Corporation and FCSBA, are deducted from capital as only the institution that issued the equities may count the amount as capital.

CAPITAL STRUCTURE

The table below outlines the Bank's capital structure for the capital adequacy calculations as of June 30, 2024:

(dollars in thousands)		3-Month Average Daily Balance
Common Equity Tier 1 Capital (CET1)		
Common cooperative equities:		
Statutory minimum purchased borrower stock	$	20
Other required member purchased stock		235,164
Allocated equities:		
Allocated stock subject to retirement		330,792
Nonqualified allocated surplus subject to retirement		413
Unallocated retained earnings		2,054,076
Paid-in capital		63,668
Regulatory adjustments and deductions made to CET1*		(87,959)
Total CET1 Capital	$	2,596,174
Additional Tier 1 Capital (AT1)		
Total AT1 Capital	$	—
Total Tier 1 Capital	$	2,596,174
Tier 2 Capital		
Allowance for credit losses on loans	$	38,463
Reserve for unfunded commitments		4,042
Total Tier 2 Capital	$	42,505
Total Regulatory Capital	$	2,638,679

**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 June 30, 2024:

(dollars in thousands)		Risk-Weighted Assets
Exposures to:		
Government-sponsored entities, including Direct Notes to Associations	$	5,709,200
Depository institutions		90,759
Corporate exposures, including borrower loans and leases		7,617,115
Residential mortgage loans		1,552,699
Past due > 90 days and nonaccrual loans		46,385
Securitizations		223,105
Exposures to obligors and other assets		237,976
Off-balance sheet exposures		2,051,877
Total risk-weighted assets	$	17,529,116

As of June 30, 2024, 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 4.55 percent. Additionally, the Tier 1 leverage ratio was 0.87 percent in excess of the required minimum leverage ratio, including the buffer. If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The following sets forth the regulatory capital ratios as of June 30, 2024:

Ratio	Regulatory Minimum Requirement	Capital Conservation Buffer	Minimum Requirement, Including Buffer	Capital Ratios
Risk-adjusted ratios:				
CET1 Capital	4.50 %	2.50 %	7.00 %	14.81 %
Tier 1 Capital	6.00 %	2.50 %	8.50 %	14.81 %
Total Regulatory Capital	8.00 %	2.50 %	10.50 %	15.05 %
Permanent Capital	7.00 %	0.00 %	7.00 %	14.84 %
Non-risk-adjusted ratios:				
Tier 1 Leverage*	4.00 %	1.00 %	5.00 %	5.87 %
URE and URE Equivalents Leverage	1.50 %	0.00 %	1.50 %	4.59 %

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

CREDIT RISK

System entities have specific lending authorities within their chartered territories. The Bank is subject to credit risk by lending to the District's FLCAs, PCAs, and ACAs as well as OFIs. The Bank also purchases participations and syndications and first lien residential mortgage loans. The allowance for credit losses is determined based on a periodic evaluation of the loan portfolio, which identifies loans that may be impaired based on characteristics such as probability of default (PD) and loss given default (LGD). Allowance needs by geographic region are only considered in rare circumstances that may not otherwise be reflected in the PD and LGD (flooding, drought, etc.). There was no allowance attributed to a geographic area as of June 30, 2024. See Note 2, *Loans and Allowance for Credit Losses*, and Note 3, *Investments*, in the Notes to the Financial Statements for quantitative disclosures related to the Bank's credit risk.

CREDIT RISK MITIGATION

Credit Risk Mitigation Related to Loans

The Bank uses various strategies to mitigate credit risk in its lending portfolio. As described in Note 1 of the Bank's Annual Report, a substantial portion of the loan balance is concentrated in notes receivable from the District Associations to fund their earning assets, which collateralize the notes. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their respective retail loan portfolios. Excluding accrued interest receivable, at June 30, 2024, the Bank's total loan portfolio totaled $34.9 billion which included the Direct Note portfolio that totaled $23.8 billion. The aggregate District Associations' loan portfolios totaled $30.4 billion.

The following table illustrates certain significant credit risk mitigants within AgFirst's loan portfolio, including accrued interest, which reduce capital requirements as of June 30, 2024:

(dollars in thousands)	Ending Balance	3-Month Average Balance	Risk-Weighted Exposures	% of Total Loans
Loans with unconditional guarantee	$ 5,575	$ 5,854	$ —	— %
Loans with conditional guarantee	521,736	528,855	105,771	2 %
Direct Notes	23,890,602	23,423,001	4,684,600	68 %
Total	$ 24,417,913	$ 23,957,710	$ 4,790,371	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 June 30, 2024:

AgFirst Total District Associations
Loan Portfolios by State

	Percent of Portfolio
North Carolina	14 %
Pennsylvania	11
Georgia	11
Ohio	9
Virginia	8
Florida	8
South Carolina	6
Maryland	5
Alabama	5
Kentucky	3
Mississippi	3
Louisiana	2
All Other States	15
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 June 30, 2024:

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

	Percent of Portfolio
Forestry	17 %
Field Crops	12
Poultry	11
Cattle	8
Grains	8
Corn	5
Other Real Estate	5
Processing	4
Dairy	4
Tree Fruits and Nuts	3
Nursery/Greenhouse	3
Rural Home Loans	3
Cotton	2
Utilities	2
Swine	2
Other	11
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 June 30, 2024:

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

	Percent of Portfolio
Non-Farm Income	34 %
Poultry	11
Field Crops	6
Grains	6
Forestry	6
Corn	5
Dairy	4
Processing	4
Cattle	3
Nursery/Greenhouse	3
Other Real Estate	2
Tree Fruits and Nuts	2
Cotton	2
Utilities	2
Other	10
Total	100 %

The following table illustrates AgFirst's loan portfolio total exposure (includes outstanding balance and unfunded amounts) by geographic distribution at June 30, 2024. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio's Total Exposure by State

	At Period End	Year-to-Date Average Balance
Georgia	4 %	4 %
North Carolina	4	4
Florida	3	3
Texas	2	2
South Carolina	2	2
Minnesota	2	2
All other states	20	20
Direct Note	63	63
Total loans	100 %	100 %

The following table shows the various major commodity groups total exposure (includes outstanding balance and unfunded amounts) in the portfolio based on borrower eligibility at June 30, 2024. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio's Total Exposure by Commodity Group Based on Eligibility

	At Period End	Year-to-Date Average Balance
Rural Home Loans	8 %	8 %
Utilities	7	7
Processing	6	6
Forestry	4	4
Field Crops	2	2
Other	10	10
Direct Note	63	63
Total loans	100 %	100 %

The following table segregates the total exposure (outstanding balance and unfunded amounts) of loans based upon repayment dependency by commodity at June 30, 2024. This table includes the Bank's Direct Notes in total and does not include accrued interest.

AgFirst Loan Portfolio's Total Exposure by Commodity Group Based on Repayment Dependency

	At Period End	Year-to-Date Average Balance
Non-Farm Income	9 %	9 %
Utilities	7	7
Processing	6	6
Forestry	4	4
Field Crops	2	2
Other	9	9
Direct Note	63	63
Total loans	100 %	100 %

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.

	June 30, 2024				
(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]	$ 2,162,696	$ 5,318,807	$ 8,526,977	$ 7,806,173	$ 23,814,653
Real estate mortgage	26,238	238,630	584,187	278,671	1,127,726
Production and intermediate-term	186,093	707,624	308,815	—	1,202,532
Agribusiness	206,075	1,907,369	634,352	18,948	2,766,744
Rural infrastructure:	126,721	1,269,160	693,565	358,713	2,448,159
Rural residential real estate	162,044	25,223	348,028	2,693,383	3,228,678
Other:	157,168	87,144	44,464	—	288,776
Total loans	$ 3,027,035	$ 9,553,957	$ 11,140,388	$ 11,155,888	$ 34,877,268
Percentage	8.68 %	27.39 %	31.94 %	31.99 %	100.00 %

[1] Based on the underlying Association loans serving as collateral for the Direct Note which is a revolving line of credit.

The following table illustrates AgFirst's nonperforming loans by geographic distribution at June 30, 2024. This table does not include accrued interest.

Total Outstanding Nonperforming Loans by State

(dollars in thousands)	At Period End	Year-to-Date Average Balance
North Carolina	$ 11,077	$ 10,429
South Carolina	2,607	2,459
Georgia	2,476	2,462
Virginia	2,205	2,191
Florida	2,050	1,289
Nebraska	1,951	3,510
Texas	1,134	868
Kentucky	1,077	1,059
Maryland	678	569
West Virginia	644	517
Tennessee	583	481
Pennsylvania	582	583
California	—	14,639
All other states	781	925
Total nonperforming loans	$ 27,845	$ 41,981

The decline in total outstanding nonperforming loans in California is the result of one relationship within the tree fruits and nuts segment being transferred to other property owned during the second quarter of 2024 as discussed previously within this report.

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 June 30, 2024. 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	$ 42,422	$ 41,853	1 %	$ —
U.S. Govt. Guaranteed	3,931,837	3,424,666	42 %	—
Conditional Guarantee:				
U.S. Govt. Agency Guaranteed	4,687,624	4,246,454	52 %	919,388
Total	$ 8,661,883	$ 7,712,973	95 %	$ 919,388

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 June 30, 2024, the Bank had foreign currency forwards and forward commitments for loan sales outstanding with a notional value of $8.0 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 at an individual security level. As of June 30, 2024, the securities in this portfolio were risk weighted 20.04 percent, with a range of 20.00 percent to 20.28 percent. Total risk-weighted assets for these investment securities utilizing a three-month average daily balance were $219.4 million at June 30, 2024. At June 30, 2024, the Bank's ABS portfolio which is risk weighted using the SSFA approach included, excluding accrued interest, $387.6 million of credit card ABSs.

As of June 30, 2024, the Bank did not hold any off-balance sheet securitization exposures nor were any securitization exposures deducted from capital. For the three months ended June 30, 2024, there were $224.7 million in sales of ABS securities that resulted in realized gains of $127 thousand and realized losses of $22 thousand.

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 June 30, 2024, the Bank had no equity investments other than equity investments in other Farm Credit institutions.

INTEREST RATE RISK

The following tables represent changes in AgFirst's market value of equity and projected change over the next twelve months in net interest income for various interest rate movements as of June 30, 2024 and December 31, 2023. The upward and downward shocks generally capture the effects of embedded options and convexity within the assets and liabilities based on movements in interest rates.

	June 30, 2024			
	-200	**-100**	**+100**	**+200**
Change in net interest income	32.76 %	13.55 %	3.64 %	6.14 %
Change in market value of equity	42.79 %	17.55 %	(10.28)%	(16.04)%

	December 31, 2023			
	-200	**-100**	**+100**	**+200**
Change in net interest income	17.80 %	7.81 %	3.18 %	5.86 %
Change in market value of equity	36.38 %	15.50 %	(9.91)%	(16.12)%

The variance between periods in the net interest income sensitivities in the downward shock scenarios is primarily due to the Bank issuing callable fixed rate debt to support fixed rate asset growth in the first quarter as market rates increased. The higher level of callable debt at June 30, 2024 compared to December 31, 2023 permits the Bank to call and replace more debt in lower-rate scenarios which increases net interest income.