



FARM CREDIT

SECOND QUARTER 2024 QUARTERLY INFORMATION STATEMENT OF THE FARM CREDIT SYSTEM

Federal Farm Credit Banks Funding Corporation
101 Hudson Street, Suite 3505 • Jersey City, New Jersey 07302 • 201-200-8000

AUGUST 8, 2024

This quarterly information statement provides important information for investors in the debt securities jointly issued by the four Farm Credit System Banks — AgFirst Farm Credit Bank, AgriBank, FCB, CoBank, ACB and Farm Credit Bank of Texas (collectively, the Banks). These debt securities, which we refer to as Systemwide Debt Securities, include:

- Federal Farm Credit Banks Consolidated Systemwide Bonds,
- Federal Farm Credit Banks Consolidated Systemwide Discount Notes,
- Federal Farm Credit Banks Consolidated Systemwide Medium-Term Notes, and
- any other debt securities that the Farm Credit System Banks may jointly issue from time to time.

This quarterly information statement does not constitute an offer to sell or a solicitation of an offer to buy Systemwide Debt Securities. Systemwide Debt Securities are offered by the Federal Farm Credit Banks Funding Corporation (Funding Corporation) on behalf of the Banks pursuant to offering circulars for each type of debt offering. The relevant offering circular as of this date is the Federal Farm Credit Banks Consolidated Systemwide Bonds and Discount Notes Offering Circular dated December 20, 2021, as amended by supplements dated March 1, 2022 and June 21, 2023.

The offering circular may be amended or supplemented from time to time and a new offering circular may be issued. Before purchasing Systemwide Debt Securities, you should carefully read the relevant offering circular and related supplements, the most recent annual and quarterly information statements and other current information released by the Funding Corporation regarding the Banks and/or Systemwide Debt Securities. At this time, no Systemwide Debt Securities are being offered under the Federal Farm Credit Banks Consolidated Systemwide Medium-Term Notes Offering Circular dated July 19, 1993, as amended by supplements dated February 26, 1997 and June 11, 1999.

Systemwide Debt Securities are the joint and several obligations of the Banks and are not obligations of or guaranteed by the United States government. Systemwide Debt Securities are not required to be registered and have not been registered under the Securities Act of 1933. In addition, the Banks are not required to file and do not file periodic reports under the Securities Exchange Act of 1934. Systemwide Debt Securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of any offering material used in connection with the sale of such Systemwide Debt Securities.

Certification

The undersigned certify that (1) we have reviewed this quarterly information statement, (2) this quarterly information statement has been prepared in accordance with all applicable statutory or regulatory requirements, and (3) the information contained in this quarterly information statement is true, accurate, and complete to the best of the signatories' knowledge and belief.



Matthew D. Walther
Chair of the Board

Theresa E. McCabe
President and CEO

Karen R. Brenner
Managing Director — Financial
Management Division

TABLE OF CONTENTS

	<u>Page</u>
Business	3
Other Business Matters	6
Selected Combined Financial Data and Key Financial Ratios	7
Management’s Discussion and Analysis of Financial Condition and Quarterly Results of Operations	9
Index to Condensed Combined Financial Statements and Supplemental Combining and Financial Information	F-1
Index to Supplemental Information	S-1

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Farm Credit System quarterly and annual information statements and press releases relating to financial results or other developments affecting the System issued by the Funding Corporation as well as offering circulars relating to Systemwide Debt Securities and links to each Bank’s website, are available on the Funding Corporation’s website located at farmcreditfunding.com. Other information regarding the System can be found at farmcredit.com.

Copies of quarterly and annual reports of each Bank may be obtained, by request, from each respective Bank. In addition, reports of each Bank combined with its affiliated Associations may be obtained from each individual Bank. Bank addresses and telephone numbers are listed on page S-5 of this quarterly information statement. These documents and further information on each Bank or each Bank combined with its affiliated Associations and links to a Bank’s affiliated Associations’ websites are also available on each Bank’s website as follows:

- AgFirst Farm Credit Bank — agfirst.com
- AgriBank, FCB — agribank.com
- CoBank, ACB — cobank.com
- Farm Credit Bank of Texas — farmcreditbank.com

Information contained on these websites is not incorporated by reference into this quarterly information statement and you should not consider information contained on these websites to be part of this quarterly information statement.

BUSINESS

Overview of the Farm Credit System

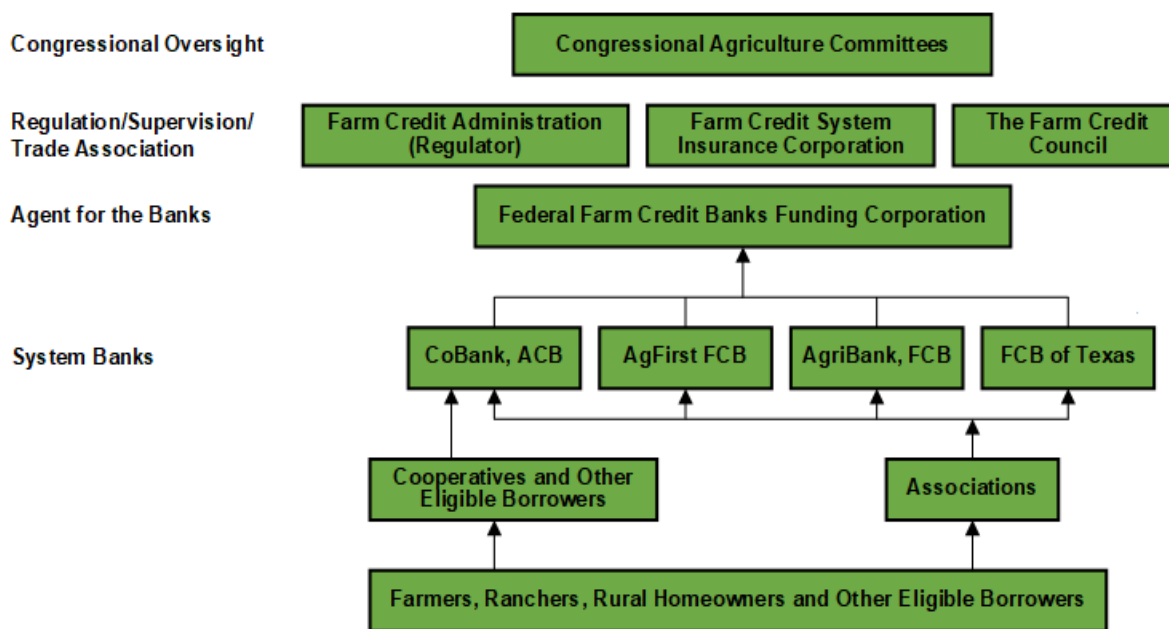
The Farm Credit System is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. Cooperatives are organizations that are owned and controlled by their members who use the cooperatives' products or services. The U.S. Congress authorized the creation of the first System institutions in 1916. The System's mission is to support rural communities and agriculture with reliable, consistent credit and financial services. This is accomplished by making appropriately structured loans to qualified individuals and businesses at competitive rates and providing financial services and advice to those individuals and businesses. Consistent with the

mission of supporting rural America, the System also makes rural residential real estate loans, finances rural power, communication and water infrastructures and makes loans to support agricultural exports and to finance other eligible entities. System institutions are federal instrumentalities.

Congress established the Farm Credit Administration as the System's independent federal regulator to examine and regulate System institutions, including their safety and soundness. Congress also established the Farm Credit System Insurance Corporation to enhance the financial integrity of the System by insuring the timely payment of principal and interest on Systemwide Debt Securities purchased by investors.

Structure/Ownership of the Farm Credit System

The following chart depicts the current overall structure and ownership of the System.



The Associations are cooperatives owned by their borrowers, and the Farm Credit Banks (AgFirst, AgriBank and Texas) are cooperatives primarily owned by their affiliated Associations. The Agricultural Credit Bank (CoBank) is a cooperative principally owned by cooperatives, other eligible borrowers and its affiliated Associations. The Banks and Associations each have their own board of directors and are not commonly owned. Each Bank and Association manages and controls its own business activities, operations and financial performance.

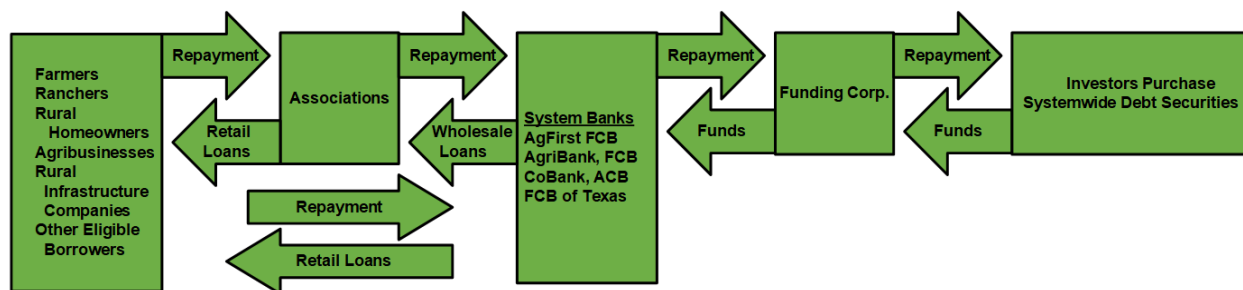
The Banks jointly own the Funding Corporation. The Funding Corporation, as agent for the Banks, issues and markets Systemwide Debt Securities in order to raise funds for the lending activities and operations of the Banks and Associations. The Funding Corporation also provides the Banks with certain accounting and financial reporting services, including the preparation of the System's quarterly and annual information statements and the System's combined financial statements contained in those information statements. As the System's financial spokesperson, the Funding Corporation is primarily

responsible for financial disclosure and the release of public information concerning the financial condition and performance of the System.

Systemwide Debt Securities are the general unsecured joint and several obligations of the Banks. Systemwide Debt Securities are not obligations of and are not guaranteed by the United States government. In addition, Systemwide Debt Securities are not the direct obligations of the Associations and, as a result, the capital of the Associations may not be available to support principal or interest payments on Systemwide Debt Securities.

Business Model

A Bank and its affiliated Associations are financially and operationally interdependent as the Bank is statutorily required to serve as an intermediary between the financial markets and the retail lending activities of its affiliated Associations. The Banks are the primary source of funds for the Associations. Associations are not legally authorized to accept deposits and may not borrow from other financial institutions without the approval of their affiliated Bank. The Banks are not legally authorized to accept deposits and they principally obtain their funds through the issuance of Systemwide Debt Securities.



Overview of the Business

As required by the Farm Credit Act, as amended, (Farm Credit Act) the System specializes in providing financing and related services to eligible, creditworthy borrowers in the agricultural and rural sectors, to certain related entities, and to domestic or foreign parties in connection with the export of U.S. agricultural products. The System makes credit available in all 50 states, the Commonwealth of Puerto Rico, and, under conditions set forth in the Farm Credit Act, U.S. territories.

System institutions may also provide a variety of financially-related services to their borrowers designed to enhance their business, including acting as agent or broker for credit and mortgage-life insurance,

Other less significant sources of funding for the Banks and the Associations include internally generated earnings, the issuance of common and preferred stock and subordinated debt. As a result, the loans made by the Associations are primarily funded by the issuance of Systemwide Debt Securities by the Banks. In addition, CoBank makes retail loans and leases directly to agricultural and rural infrastructure cooperatives and businesses and other eligible entities. The Banks and Associations also purchase loan participations from other System entities and non-System lenders. Therefore, the repayment of Systemwide Debt Securities is dependent upon the ability of these borrowers to repay their loans.

Preferred stock and subordinated debt are the sole obligation of the issuing entity and are not guaranteed by any other System institution. Such obligations are not Systemwide Debt Securities and therefore are not subject to the joint and several obligations of the Banks and are not guaranteed or insured by the Insurance Fund.

The chart below illustrates the flow of funds from investors in Systemwide Debt Securities to the System's borrowers and the ultimate repayment of funds to investors resulting from borrower loan repayments.

disability insurance, various types of crop insurance and livestock risk protection. The insurance is made available through private insurers.

Other services offered by System institutions include estate planning, record keeping, tax planning and preparation, fee appraisal and cash management products and services. In addition, some System institutions provide leasing and related services to their customers.

Government-Sponsored Enterprise Status

In order to better accomplish its mission, Congress has granted the System certain attributes that result in government-sponsored enterprise status for the System. As a government-sponsored enterprise, the

System has traditionally been able to raise funds at competitive rates and terms, in varying economic environments. This ability to raise funds has historically allowed the System to make competitively priced loans to eligible borrowers through all economic cycles and thus accomplish its mission.

Agricultural Industry Overview

The agricultural sector has been and remains a key economic force in the U.S. economy and is strongly affected by domestic and global economic conditions, government policies and a changing climate. Global and domestic adverse weather events, food safety, disease, pandemics, geopolitical events and other unfavorable conditions also directly affect the agricultural sector.

The System was created to provide support for the agricultural sector because of its significance to the well-being of the U.S. economy and the U.S. consumer. Profitability is dependent on the health of the U.S. agricultural sector, which is heavily influenced by domestic and world demand for agricultural products, and impacted by government policies and support programs, including crop insurance, which is available to producers of certain agricultural commodities. Further, off-farm income is important to the repayment ability of many agricultural producers. Accordingly, the business also may be impacted by the health of the general U.S. economy.

System Lending Institutions

The two types of entities through which the System conducts the lending business are the Banks and the Associations.

Banks

At June 30, 2024, the System had four Banks (three Farm Credit Banks and one Agricultural Credit Bank). The Banks' lending operations include wholesale loans to their affiliated Associations and loan participations in eligible loans purchased from Associations, other Banks and non-System lenders. CoBank, as the Agricultural Credit Bank, also has additional nationwide authority to make retail loans directly to agricultural and rural infrastructure cooperatives and businesses and other eligible entities.

The Banks obtain a substantial majority of funds for their lending operations through the issuance of Systemwide Debt Securities, but also obtain some of their funds from internally generated earnings and from the issuance of common and preferred stock.

Associations

At June 30, 2024, the System was comprised of 56 Associations throughout the United States and the Commonwealth of Puerto Rico. There were 55 Agricultural Credit Associations with Production Credit Association and Federal Land Credit Association subsidiaries, and one Federal Land Credit Association. The Federal Land Credit Association makes real estate mortgage loans, including rural residential real estate loans. Agricultural Credit Associations may, directly or through their subsidiaries, make real estate mortgage loans, production and intermediate-term loans, agribusiness loans (processing and marketing loans, and certain farm-related business loans) and rural residential real estate loans. These retail loans are made to farmers, ranchers, producers or harvesters of aquatic products, farm-related businesses and rural homeowners. Associations may also purchase eligible loan participations from other System entities and non-System lenders.

The Associations obtain a substantial majority of the funds for their lending operations from borrowings from their affiliated Bank, but also obtain some of their funds from internally generated earnings, from the issuance of common and preferred stock and subordinated debt.

Farm Credit Insurance Fund

As more fully discussed on page 23 in the 2023 *Annual Information Statement*, the Farm Credit System Insurance Corporation's primary purpose is to insure the timely payment of principal and interest on Systemwide Debt Securities. The Insurance Corporation maintains the Insurance Fund for this purpose and for certain other mandatory and discretionary purposes. In the event a Bank is unable to timely pay principal or interest on any insured debt obligation for which that Bank is primarily liable, the Insurance Corporation must expend amounts in the Insurance Fund to the extent available to insure the timely payment of principal and interest on the debt obligation. The provisions of the Farm Credit Act providing for joint and several liability of the Banks on the debt obligation cannot be invoked until the Insurance Fund is exhausted. The insurance provided through use of the Insurance Fund is not an obligation of and is not a guarantee by the U.S. government.

Disclosure Obligations

The Farm Credit Administration has promulgated regulations intended to ensure the appropriate disclosure of financial and other

information concerning the System to investors in Systemwide Debt Securities and other interested parties. These disclosures are the responsibility of the System Disclosure Entities, which consist of the Banks and the Funding Corporation. For a description of the responsibilities of the System Disclosure Entities, see pages 18 and 19 of the *2023 Annual Information Statement*.

Governance — Code of Ethics

Each System institution is required by regulation to adopt a standards of conduct program, including a code of ethics that applies to every director and employee. The code of ethics reaffirms the high standards of business conduct required of, and provides guidance to, directors and employees.

In addition, each Bank and the Funding Corporation have either adopted a separate code of ethics or incorporated additional requirements in its code of ethics that apply to their chief executive officers, certain other executives, and finance and

accounting senior professionals who are involved with the preparation of the System's financial statements and the maintenance of the financial records supporting the financial statements.

The Funding Corporation will disclose material amendments to or any waivers from a required provision of the codes of ethics for any individual involved in the financial statements covered by the Banks' or the Funding Corporation's codes of ethics by including that information in future information statements. No such amendments or waivers were made during the first six months of 2024. The Funding Corporation's and each of the Bank's codes of ethics are available and can be accessed through each respective website as listed on page 2.

Risk Factors

There have been no material changes to the risk factors previously disclosed in the System's *2023 Annual Information Statement*.

OTHER BUSINESS MATTERS

Legal Proceedings

At June 30, 2024, various lawsuits were pending or threatened against System institutions. Each System institution to which a pending or threatened lawsuit relates intends to vigorously defend against such action. In the opinion of management, based on

information currently available and taking into account the advice of legal counsel, the ultimate liability, if any, of pending or threatened legal actions will not have a material adverse impact on the System's combined results of operations or financial condition.

SELECTED COMBINED FINANCIAL DATA AND KEY FINANCIAL RATIOS

The following selected combined financial data for each of the three years in the period ended December 31, 2023 has been derived from the audited combined financial statements of the Farm Credit System. The selected combined financial data and combined financial statements of the System combine the financial condition and operating results of each of the Banks, their affiliated Associations, the Funding Corporation, and the Farm Credit Insurance Fund, and reflect the investments in, and allocated earnings of, certain service organizations owned by the Banks or Associations. All significant intra-System transactions and balances have been eliminated in combination. Because System entities are financially and operationally interdependent, we believe providing the combined financial information is more meaningful to investors in Systemwide Debt Securities than financial information relating to the Banks on a stand-alone basis (i.e., without the Associations).

While this quarterly information statement reports on the combined financial condition and results of operations of the Banks, Associations, and other System entities specified above, only the Banks are jointly and severally liable for the repayment of Systemwide Debt Securities. See Note 14 to the accompanying condensed combined financial statements for combining Bank-only financial condition and results of operations. Also, copies of quarterly and annual reports of each Bank are available on each of their respective websites; see page 2 for a listing of their websites.

The selected combined financial data for the six months ended June 30, 2024 and 2023 has been derived from the System's unaudited condensed combined financial statements appearing elsewhere herein, which include all adjustments necessary for a fair statement of the results for these interim periods.

Combined Statement of Condition Data

	June 30,		December 31,		
	2024	2023	2023	2022	2021
	(unaudited)				
	(in millions)				
Loans	\$ 406,659	\$ 378,003	\$ 398,176	\$ 373,266	\$ 343,929
Allowance for credit losses on loans ¹	(1,636)	(1,691)	(1,617)	(1,576)	(1,632)
Net loans	405,023	376,312	396,559	371,690	342,297
Cash, Federal funds sold, securities purchased under resale agreements and investments	91,003	92,286	93,487	89,896	80,816
Accrued interest receivable	4,832	3,904	4,726	3,572	2,560
Other property owned	121	21	58	28	39
Total assets	514,061	484,634	507,836	477,063	435,957
Systemwide bonds	407,165	374,175	396,348	362,562	328,488
Systemwide medium-term notes	61	61	61	62	64
Systemwide discount notes	13,443	22,083	19,124	27,353	24,271
Subordinated debt	398	398	398	398	398
Other bonds	5,998	6,573	6,288	5,599	3,623
Total liabilities	437,215	413,471	434,507	408,462	366,480
Capital	76,846	71,163	73,329	68,601	69,477

¹ Effective January 1, 2023, the System adopted Financial Accounting Standards Board (FASB) ASU 2016-13 - Financial Instruments: Credit Losses: Measurement of Credit Losses on Financial Instruments, commonly referred to as the Current Expected Credit Losses (CECL) standard and other subsequently issued accounting standards updates related to credit losses. The amounts as of December 31, 2022 and 2021 reflect the prior measurement methodology for the allowance for credit losses based on management's estimate of probable and estimable incurred credit losses in the loan portfolio.

Combined Statement of Income Data

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2024	2023	2023	2022	2021
	(unaudited)				
	(in millions)				
Net interest income.....	\$ 5,895	\$ 5,599	\$ 11,433	\$ 10,542	\$ 9,764
(Provision for credit losses) credit loss reversal.....	(159)	(407)	(614)	(40)	152
Net noninterest expense.....	(1,698)	(1,595)	(3,194)	(3,068)	(2,959)
Income before income taxes.....	4,038	3,597	7,625	7,434	6,957
Provision for income taxes.....	(115)	(91)	(180)	(166)	(161)
Net income.....	<u>\$ 3,923</u>	<u>\$ 3,506</u>	<u>\$ 7,445</u>	<u>\$ 7,268</u>	<u>\$ 6,796</u>

Combined Key Financial Ratios

Certain combined key financial ratios of the System are set forth below:

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2024	2023	2023	2022	2021
Return on average assets.....	1.55%	1.46%	1.53%	1.59%	1.66%
Return on average capital.....	10.47	9.95	10.41	10.45	9.94
Net interest income as a percentage of average earning assets.....	2.41	2.41	2.43	2.39	2.46
Operating expense as a percentage of net interest income and noninterest income.....	34.4	34.3	34.9	35.1	35.3
Net loan charge-offs as a percentage of average loans.....	0.07	0.03	0.08	0.01	0.01

	June 30,		December 31,		
	2024	2023	2023	2022	2021
Nonperforming assets ¹ as a percentage of loans and other property owned.....	0.64%	0.57%	0.45%	0.47%	0.46%
Allowance for credit losses on loans as a percentage of loans outstanding.....	0.40	0.45	0.41	0.42	0.47
Capital as a percentage of total assets.....	14.9	14.7	14.4	14.4	15.9
Capital as a percentage of total assets (excluding restricted assets and capital — Insurance Fund).....	13.7	13.4	13.2	13.2	14.8
Capital and allowance for credit losses on loans as a percentage of loans outstanding.....	19.3	19.3	18.8	18.8	20.7
Debt to capital.....	5.69:1	5.81:1	5.93:1	5.95:1	5.27:1

¹ Prior to the adoption of CECL on January 1, 2023, nonperforming assets included accruing restructured loans and were presented with accrued interest.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND QUARTERLY RESULTS OF OPERATIONS

The System's *2023 Annual Information Statement* contains the December 31, 2023 audited combined financial statements together with commentary that explains the principal aspects of the System's combined financial position and results of operations. The following commentary represents a quarterly supplement to that information statement and includes a discussion of significant financial developments for the six months ended June 30, 2024. This commentary should be read in conjunction with the *2023 Annual Information Statement* and with the condensed combined financial statements of the System beginning on page F-1 of this quarterly information statement.

Basis of Presentation

The accompanying condensed combined financial statements and related financial information contained in this quarterly information statement present the combined assets, liabilities, capital, income and expenses of the Banks, the Associations, the Federal Farm Credit Banks Funding Corporation and the Farm Credit Insurance Fund, and reflect the investments in and allocated earnings of certain service organizations owned by the Banks or Associations. All significant intra-System transactions and balances have been eliminated in combination. (See Note 1 to the accompanying condensed combined financial statements for additional information on organization and significant accounting policies and the Supplemental Combining Information on pages F-56 through F-62). This quarterly information statement has been prepared under the oversight of the System Audit Committee.

The System's financial statements are presented on a combined basis due to the financial and operational interdependence of System entities as discussed in the "Business" section in this quarterly information statement.

Each Bank is primarily liable for the payment of principal and interest on Systemwide Debt Securities issued to fund its operations. (See Note 8 to the accompanying condensed combined financial statements for information about the capital of the Banks, Note 14 for information related to the financial condition and results of operations of the Banks, and the Supplemental Combining Information on pages F-56 through F-58 for information related to the financial condition and results of operations of the combined Banks.) Because the Associations are not directly liable for the payment of principal or interest

on Systemwide Debt Securities, their capital may not be available to support those payments. Under the Farm Credit Act, the timely payment of the principal and interest on Systemwide Debt Securities is insured by the Farm Credit System Insurance Corporation to the extent funds are available in the Insurance Fund. (See Note 6 to the accompanying condensed combined financial statements.)

Forward-Looking Information

Certain sections of this quarterly information statement contain forward-looking statements concerning financial information and statements about future economic performance and events, plans and objectives and assumptions underlying these projections and statements. These projections and statements are not based on historical facts but instead represent current assumptions and expectations regarding the System's business, the economy and other future conditions. However, actual results and developments may differ materially from these expectations and forecasts due to a number of risks and uncertainties, many of which are beyond the System's control. Forward-looking statements can be identified by words such as "anticipates," "believes," "could," "estimates," "may," "should," "will," or other variations of these terms that are intended to reference future periods.

These statements are not guarantees of future performance and involve certain risks and uncertainties and actual results may differ from those in the forward-looking statements as a result of various factors. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory, financial market and economic conditions and/or developments in the United States and abroad, including the wars in Ukraine and the Middle East, the elevated level of inflation, labor shortages and potential changes to global trade patterns;
- economic fluctuations in the agricultural, rural infrastructure, international, and farm-related business sectors;
- global and domestic adverse weather-related events, food safety, disease, pandemics and other unfavorable conditions that periodically occur that impact agricultural productivity and income;

- climate change and/or measures to address climate change;
- changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the System, the U.S. government, other government-sponsored enterprises and other financial institutions;
- actions taken by the Federal Reserve System in implementing monetary policy;
- credit, interest rate and liquidity risks inherent in System institutions lending activities;
- changes in the interest rate environment;
- changes in assumptions for determining the allowance for credit losses and fair value measurements; and
- outlooks for agricultural conditions.

Overview

Business Outlook

The 2024 outlook for the U.S. and global economies continue to show near-term resiliency despite elevated interest rates, rising consumer and government debt and ongoing geopolitical tensions. The U.S. labor markets remain healthy, but are showing signs of slowing and inflation has declined from its peak and is moving closer to the Federal Reserve's long-term inflation target. The U.S. dollar remains stronger than expected in 2024. The combination of high borrowing costs and the strong U.S. dollar has resulted in downward pressure on U.S. export competitiveness. The consequences of the wars in Ukraine and the Middle East have impacted and may continue to impact energy and food markets, and global trade.

Economic conditions for some agricultural industries have begun to decline resulting in narrowing margins and credit quality deterioration for some producers. Uncertainty about the long-term outlook for broader U.S. and global economies could also negatively impact our borrowers and our operating results.

General

The System's combined net income increased \$417 million or 11.9% to \$3.923 billion for the first six months of 2024, as compared with net income of \$3.506 billion for the same period of 2023. The increase resulted from increases in net interest income

of \$296 million and noninterest income of \$26 million and a decrease in provision for credit losses of \$248 million, offset, in part, by increases in noninterest expense of \$129 million and provision for income taxes of \$24 million.

The System's net interest income increased 5.3% to \$5.895 billion for the first six months of 2024, as compared to the same period of 2023, primarily from a higher level of average earning assets driven by increased loan volume. The net interest margin for the six months ended June 30, 2024 and 2023 was unchanged at 2.41%. Net interest spread decreased 11 basis points to 1.85%, as compared to the first six months of 2023, which was primarily due to higher debt costs and competitive pressures impacting loan spreads in the sustained higher interest rate environment. The net interest margin was positively impacted by an 11 basis point increase in income earned on earning assets funded by noninterest-bearing sources (principally capital).

The System's loan portfolio increased \$8.483 billion or 2.1% to \$406.659 billion since year-end 2023. The increase primarily resulted from increases in real estate mortgage, processing and marketing, power and farm-related business loans offset, in part, by a decrease in production and intermediate-term loans.

The System's nonperforming assets (which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned) increased \$789 million to \$2.587 billion at June 30, 2024 and represented 0.64% of total loans and other property owned, as compared with nonperforming assets of \$1.798 billion at December 31, 2023, representing 0.45% of total loans and other property owned.

Climate Change and Weather-Related Conditions

On July 12, 2024, the U.S. National Oceanic and Atmospheric Administration (NOAA) reported that June 2024 was the warmest June on record for the globe in NOAA's 175-year record and the 13th consecutive month of record-high global temperatures. In the United States, from January through early June 2024, 15 separate billion-dollar or more weather and climate disasters occurred with the total cost exceeding \$37.9 billion. According to NOAA, the number and cost of weather-related disasters are increasing and that climate change is increasing the frequency of some types of extreme events. Many of these events have or will have an impact on agriculture and rural America.

According to the U.S. Drought Monitor, as of June 30, 2024, approximately 19% of the United States was experiencing moderate to exceptional drought, concentrated mainly in the Western (predominately New Mexico and Arizona), Southern and Southeastern regions. This is a significant improvement compared to December 31, 2023 when 33% of the United States was experiencing moderate to exceptional drought conditions. The impact from weather volatility will vary depending on commodities produced in the areas most affected by extreme conditions. For the 2024 crops, moisture levels have been favorable for much of the Midwest. The U.S. Department of Agriculture (USDA) is forecasting record corn and soybean yields as a result; however, some crop producing areas have had excessive or insufficient moisture and could be negatively impacted by low prices resulting from an overall large crop. Crop insurance and advances in production practices may help to mitigate some of the impacts of severe weather events.

Agricultural Outlook

Overview

Production agriculture is a cyclical business that is heavily influenced by commodity prices, weather, government policies (including, among other things, tax, trade, immigration, crop insurance and periodic aid), interest rates, input costs and various other factors that affect supply and demand. The System utilizes the USDA analysis to provide a general understanding of the U.S. agricultural economic outlook; however, this outlook does not take into account all aspects of our business or events that occur subsequent to its issuance. References to USDA information in this section refer to U.S. agricultural market data and not System data.

The USDA's most recent forecast (February 2024) estimates net farm income (income after expenses from production; a broader measure of profits) of \$116.1 billion, a \$39.8 billion or 25.5% decrease from 2023, but \$14.0 billion above the 10-year average. The forecasted decrease in net farm income for 2024 is primarily due to expected decreases in cash receipts for crops of \$16.7 billion, cash receipts for animals and animal products of \$4.6 billion and direct government payments of \$1.9 billion as well as an increase in cash expenses of \$15.4 billion. The expected decline in cash receipts for crops is primarily driven by decreases in corn and soybeans, while receipts for fruits and nuts are expected to increase. The decrease in cash receipts for animals and animal products are predicted for eggs, turkeys, cattle/

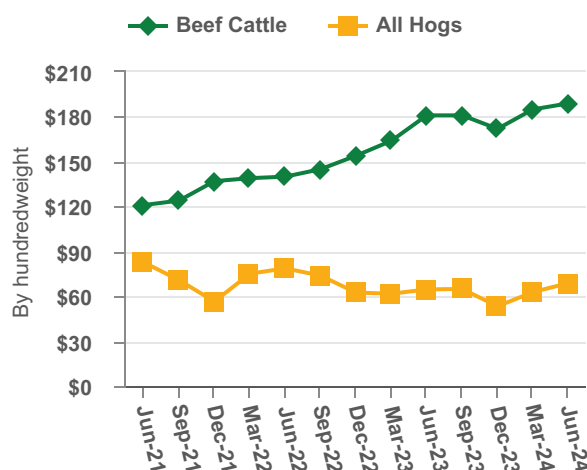
calves and milk, while receipts for hogs and broilers are expected to remain relatively unchanged. Most production expenses are expected to increase from 2023 levels.

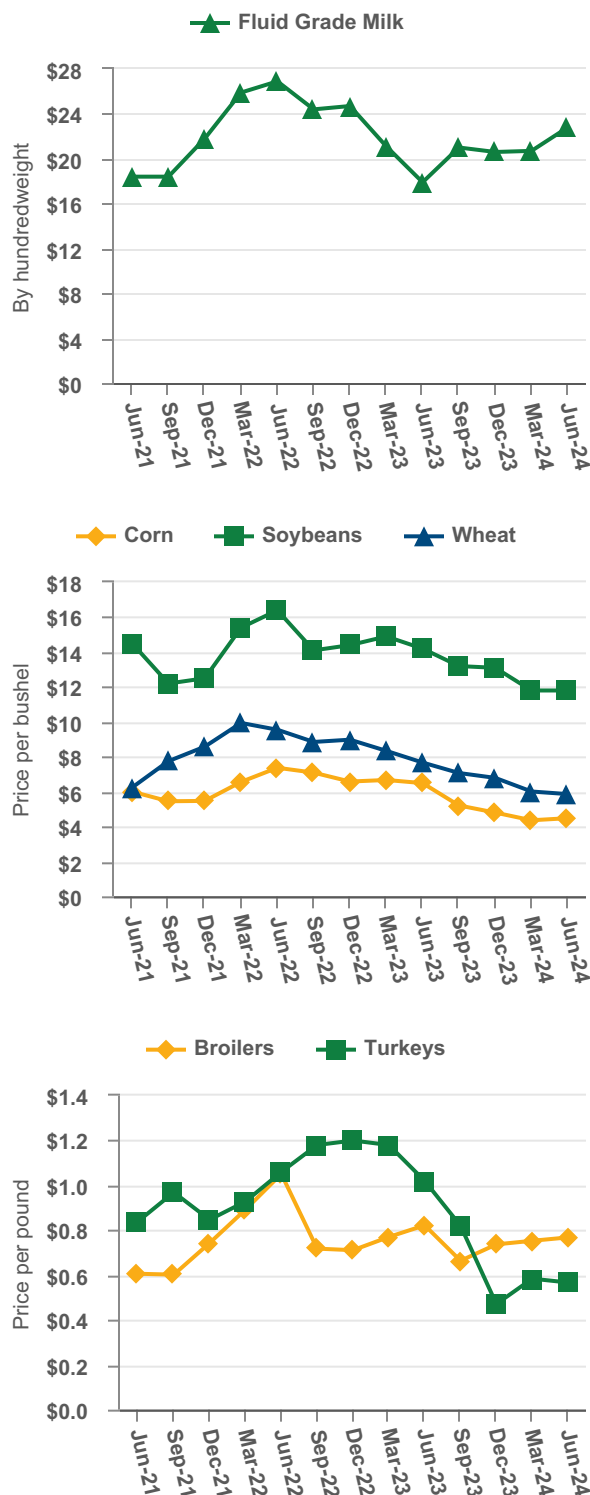
Commodity Review

Expected agricultural commodity prices can influence production decisions of farmers and ranchers, including planted acreage and marketing of crops and livestock inventories, and therefore affect the supply of agricultural commodities. Actual production levels are sensitive to weather conditions that may impact production yields. Livestock and dairy profitability are influenced by crop prices as feed is a significant input to animal agriculture.

Global economic conditions, government actions (including tariffs) and weather volatility in key agricultural production regions can influence export and import flows of agricultural products between countries. U.S. exports and imports may periodically shift to reflect short-term disturbances to trade patterns and long-term trends in world population demographics. Also impacting U.S. agricultural trade are global agricultural commodity supplies and demand, changes in the value of global currencies relative to the U.S. dollar and domestic government support for agriculture.

The following charts set forth certain agricultural commodity prices, utilizing the average monthly price for the last month of each quarter by hundredweight for beef cattle, hogs and milk, per bushel for corn, soybeans and wheat and by pound for poultry, on certain dates during the period from June 30, 2021 to June 30, 2024:





During early 2024, agricultural commodity prices for crops generally trended lower. The benefits to crop producers the past few years from relatively tight global and domestic crop inventories and concerns over the war in Ukraine have diminished. While global stock to use levels actually improved slightly in recent months, domestic stocks to use levels continue to increase primarily due to generally favorable 2024 crop production forecasts. As a result, crop prices for U.S. producers continued to decline in 2024.

Lower crop prices provide relief to livestock, dairy and poultry producers because feed is the largest variable production expense. Livestock and dairy prices were generally higher during the second quarter of 2024, and most of these commodity prices were above prior year levels. Those price increases along with falling feed costs support stronger returns for many livestock producers and dairy farmers. Cattle prices increased to record high levels during the second quarter of 2024 with support from strong domestic demand and tight cattle supplies. Hog prices increased into May, but failed to have the seasonal June rally that typically occurs. The USDA projects that hog prices will decline during the second half of 2024 and will be below prior year levels. However, lower hog price expectations will be partially offset by lower feed costs, which should limit potential losses. Dairy prices and margins have improved significantly in 2024. Constrained milk and cheddar production and stronger cheese exports have supported higher milk prices. Despite the discovery of highly pathogenic avian influenza (HPAI) in dairies across 13 different states, the infections do not appear to be having a significant impact on the dairy market. For poultry, HPAI infections continue at egg laying facilities, resulting in a slightly lower egg layer flock compared to the same period of the prior year. Egg prices trended higher into June and were well above prior year levels. Broiler prices were higher during the second quarter of 2024. This increase combined with the lower feed cost environment should support favorable returns for many broiler integrators.

Despite declines in crop prices and the expectation for lower net farm income, the farm sector balance sheet remains strong and financial strength from high profits in the past three years may provide financial support for some producers. If less favorable agriculture conditions persist, the System's financial performance and credit quality measures will likely be negatively impacted. A negative impact on System credit quality from less favorable economic conditions for crop producers in the near-term may be mitigated

to some extent by agriculture sector working capital built from recent industry strong performance, as well as, geographic and commodity diversification across the System, existing government safety net programs, crop insurance carried by most crop producers and the influence of off-farm income sources supporting agricultural-related debt. However, due to the

geographic territories served by Banks and Associations, most institutions have higher geographic, commodity and borrower concentrations than does the System as a whole. In addition, agricultural producers who are more reliant on off-farm income sources may be more adversely impacted by a weakened general economy.

Results of Operations

Net Interest Income

Net interest income increased \$130 million or 4.6% to \$2.949 billion and increased \$296 million or 5.3% to \$5.895 billion for the three and six months ended June 30, 2024, as compared with \$2.819 billion and \$5.599 billion for the same periods of the prior year. 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 of the prior year, are presented

in the following table. The table distinguishes between the changes in interest income and interest expense related to average outstanding balances and the levels of average interest rates. The change in the benefit derived from funding earning assets with noninterest-bearing sources (principally capital) is reflected solely as an increase in volume.

	For the Three Months Ended June 30, 2024 vs. 2023			For the Six Months Ended June 30, 2024 vs. 2023		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
(in millions)						
Interest income:						
Loans	\$ 407	\$ 443	\$ 850	\$ 720	\$ 1,164	\$ 1,884
Investments	(28)	83	55	4	254	258
Total interest income	379	526	905	724	1,418	2,142
Interest expense:						
Systemwide Debt Securities and other	175	600	775	349	1,497	1,846
Changes in net interest income	<u>\$ 204</u>	<u>\$ (74)</u>	<u>\$ 130</u>	<u>\$ 375</u>	<u>\$ (79)</u>	<u>\$ 296</u>

The changes in rates earned on interest-earning assets and rates paid on interest-bearing funds are further illustrated in the following presentation of interest rate spreads:

	Three Months Ended				Six Months Ended			
	June 30, 2024		June 30, 2023		June 30, 2024		June 30, 2023	
	Average Balance	Annualized Rate	Average Balance	Annualized Rate	Average Balance	Annualized Rate	Average Balance	Annualized Rate
	(\$ in millions)							
Assets								
Real estate mortgage loans	\$ 178,829	5.60%	\$ 170,943	5.21%	\$ 177,733	5.54%	\$ 170,881	5.09%
Production and intermediate-term loans	70,689	7.36	62,091	6.79	70,127	7.36	61,460	6.56
Agribusiness loans	74,599	7.40	71,204	6.94	74,525	7.40	73,306	6.73
Rural infrastructure loans	56,027	6.42	48,658	6.08	55,468	6.41	47,416	5.87
Agricultural export finance loans ..	8,461	6.09	9,340	5.07	8,627	6.08	10,014	4.77
Rural residential real estate loans ..	7,277	4.62	7,019	4.13	7,245	4.58	7,013	4.12
Lease receivables	4,632	4.81	4,397	4.19	4,634	4.78	4,233	4.14
Loans to other financing institutions	1,172	4.18	1,244	3.74	1,266	4.24	1,155	3.43
Nonaccrual loans	1,798	3.34	1,854	5.34	1,696	4.13	1,583	5.40
Total loans	403,484	6.32	376,750	5.87	401,321	6.30	377,061	5.71
Federal funds sold, investments and other interest-earning assets ...	88,525	4.32	91,614	3.93	87,760	4.28	87,541	3.70
Total earning assets	492,009	5.96	468,364	5.49	489,081	5.94	464,602	5.33
Allowance for credit losses on loans	(1,585)		(1,568)		(1,585)		(1,501)	
Other noninterest-earning assets ...	18,509		18,097		18,493		18,023	
Total assets	<u>\$ 508,933</u>		<u>\$ 484,893</u>		<u>\$ 505,989</u>		<u>\$ 481,124</u>	
Liabilities and Capital								
Systemwide bonds and medium-term notes	\$ 402,351	4.04%	\$ 370,321	3.42%	\$ 398,798	3.99%	\$ 367,690	3.25%
Systemwide discount notes	14,686	5.26	26,934	4.65	15,417	5.25	25,929	4.37
Other interest-bearing liabilities ...	7,758	6.50	8,747	5.94	7,716	6.61	8,438	5.71
Total interest-bearing liabilities	424,795	4.13	406,002	3.56	421,931	4.09	402,057	3.37
Noninterest-bearing liabilities	8,291		7,769		9,146		8,605	
Capital	75,847		71,122		74,912		70,462	
Total liabilities and capital	<u>\$ 508,933</u>		<u>\$ 484,893</u>		<u>\$ 505,989</u>		<u>\$ 481,124</u>	
Net interest spread(1)		1.83		1.93		1.85		1.96
Impact of noninterest-bearing sources		0.57		0.48		0.56		0.45
Net interest margin(2)		2.40%		2.41%		2.41%		2.41%

(1) Net interest spread is the difference between the rate earned on total earning assets and the rate paid on total interest-bearing liabilities.

(2) Net interest margin is net interest income divided by average earning assets.

As illustrated in the preceding tables, net interest income increased in the three and six months ended June 30, 2024, as compared with the same periods of the prior year. The increase primarily resulted from a higher level of average earning assets, driven by increased loan volume. Average earning assets increased \$23.645 billion or 5.0% to \$492.009 billion for the three months ended June 30, 2024 and

increased \$24.479 billion or 5.3% to \$489.081 billion for the six months ended June 30, 2024, as compared with the same periods of 2023.

The net interest margin was 2.40% for the three months ended June 30, 2024, as compared with 2.41% for the same period of 2023. Net interest spread decreased ten basis points to 1.83% for the three

months ended June 30, 2024, as compared with the same period of the prior year. Partially offsetting the decrease in net interest margin was a nine basis point increase in income earned on earning assets funded by non-interest bearing sources (principally capital). For the six-month period ended June 30, 2024 and 2023, the net interest margin was unchanged at 2.41%. The net interest margin was negatively impacted by a decrease in the net interest spread of 11 basis points to 1.85% for the six months ended June 30, 2024, as compared with 1.96% for the same period of the prior year and was positively impacted by an 11 basis point increase in income earned on earning assets funded by noninterest-bearing sources. The decline in net interest spread for the three- and six-month periods of 2024 was principally due to higher debt costs and competitive market pressures impacting loan spreads in the sustained higher interest rate environment.

Provision for Credit Losses

The System recognized provisions for credit losses of \$119 million and \$159 million for the three

and six months ended June 30, 2024, as compared with provisions for credit losses of \$171 million and \$407 million for the three and six months ended June 30, 2023. The provision for credit losses for the first six months of 2024 primarily reflected specific reserves associated with a limited number of customers, a modest deterioration in credit quality and higher loan volume. Partially offsetting the provision for credit losses were credit loss reversals at certain System institutions primarily related to improvements in macroeconomic forecasts resulting in lower modeled credit losses in certain sectors of the portfolio. The provision for credit losses for the six months ended June 30, 2023 primarily reflected higher specific reserves associated with a limited number of customers and forecasts of deteriorating macroeconomic conditions. The 2023 provision also included the impact of Association mergers reflecting an accounting change for credit losses.

Noninterest Income

Noninterest income consisted of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	(in millions)			
Loan-related fee income	\$ 142	\$ 113	\$ 250	\$ 218
Income earned on Insurance Fund assets	62	38	119	70
Financially-related services income	51	54	107	108
Mineral income	23	26	50	50
Operating lease income	9	8	17	15
Losses on extinguishment of debt	(2)	(3)	(7)	(5)
Net gains (losses) on sales of investments and other assets	5	(3)	8	3
Net (losses) gains on derivative and other transactions	(6)	(12)	(17)	4
Other noninterest income	(15)	10	(14)	24
Total noninterest income	<u>\$ 269</u>	<u>\$ 231</u>	<u>\$ 513</u>	<u>\$ 487</u>

Noninterest income increased \$38 million or 16.5% to \$269 million and \$26 million or 5.3% to \$513 million for the three and six months ended June 30, 2024, as compared with the same periods of the prior year. The increases for the three- and six-month periods were primarily due to increases in income earned on Insurance Fund assets of \$24 million and \$49 million and loan-related fee income of \$29 million and \$32 million due to higher transaction-related lending fees. Partially offsetting the increases was a decline in other noninterest income of \$25 million and

\$38 million for the three- and six-month periods primarily due to losses on investments in rural business investment companies. Also offsetting noninterest income for the six-month period were net losses on derivative and other transactions of \$17 million, as compared to net gains of \$4 million for the same period of the prior year. The net losses on derivatives and other transactions were due to the increase in interest rates during the first six months of 2024.

Noninterest Expense

Noninterest expense increased \$68 million or 6.5% to \$1.122 billion and \$129 million or 6.2% to \$2.211 billion for the three and six months ended June 30, 2024, as compared with the same periods of the prior year. Noninterest expense consisted of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	(in millions)			
Salaries and employee benefits	\$ 687	\$ 638	\$ 1,367	\$ 1,273
Occupancy and equipment expense	86	84	175	167
Purchased services	79	75	147	143
Other operating expense	266	258	517	502
Total operating expense	1,118	1,055	2,206	2,085
Net losses (gains) on other property owned	4	(1)	5	(3)
Total noninterest expense	\$ 1,122	\$ 1,054	\$ 2,211	\$ 2,082

The increase in noninterest expense for the three and six months ended June 30, 2024 was primarily due to increases in salaries and employee benefits and other operating expense. Salaries and employee benefits increased \$49 million and \$94 million for the three and six months ended June 30, 2024, as compared to the same periods of the prior year, primarily due to annual merit increases, higher staffing levels and higher accrued incentive compensation at certain System institutions. Other operating expense increased \$8 million and \$15 million for the three and six months ended June 30, 2024, as compared to the same periods of the prior year, primarily due to increases in technology, supervisory and exam, and other miscellaneous expenses.

Operating expense statistics are as follows:

	For the Six Months Ended June 30,	
	2024	2023
	(\$ in millions)	
Excess of net interest income over operating expense	\$ 3,689	\$ 3,514
Operating expense as a percentage of net interest income and noninterest income	34.4%	34.3%
Annualized operating expense as a percentage of average earning assets	0.90%	0.90%

Provision for Income Taxes

Provisions for income taxes were \$49 million and \$115 million for the three and six months ended June 30, 2024, as compared with \$41 million and \$91 million for the same periods of the prior year. The effective tax rate increased to 2.8% for the first six months of 2024 from 2.5% for the first six months of 2023.

Risk Management

Overview

The System is in the business of making agricultural and other loans that require us to take certain risks. Management of risks inherent in our business is essential for our current and long-term financial performance. Prudent and disciplined risk management includes an enterprise risk management structure to identify emerging risks and evaluate risk implications of decisions and actions taken. Each System institution's goal is to mitigate risk, where appropriate, and to properly and effectively identify, measure, price, monitor and report risks in our business activities. Stress testing represents a component of each institution's risk management process. Each System institution is required by regulation to perform stress tests; however, the depth and frequency of these stress tests may vary by institution size and complexity.

The major types of risk for which we have exposure are structural risk, credit risk, interest rate risk, liquidity risk, operational risk, reputational risk and political risk.

Structural Risk Management

Structural risk results from the fact that the System is comprised of Banks and Associations that are cooperatively owned, directly or indirectly, by their borrowers. While System institutions are financially and operationally interdependent, they are not commonly owned. Each System institution is responsible for its own risk management and there are no formal processes or procedures in place to mandate Systemwide risk mitigation actions, including, but not limited to, reducing credit risk concentration, interest rate and counterparty credit risk across the System. This structure at times requires action by consensus or contractual agreement. Further, there is structural risk in that only the Banks are jointly and severally liable for the payment of principal and interest on Systemwide Debt Securities. Although capital at the Association level reduces a Bank's credit exposure with respect to its wholesale loans to its affiliated Associations, this capital may not be available to support the payment of principal and interest on Systemwide Debt Securities. (See Notes 8 and 14 to the accompanying condensed combined financial statements for additional information.)

In order to monitor the financial strength of each Bank and mitigate the risks of non-performance by each Bank of its obligations under the Systemwide Debt Securities, we utilize two integrated intra-System financial performance agreements — the Amended and Restated Contractual Interbank Performance Agreement, or CIPA, and the Third Amended and Restated Market Access Agreement, or MAA. Under provisions of the CIPA, a score (CIPA score) is calculated quarterly to measure the financial condition and performance of each District (a Bank and its affiliated Associations) using various ratios that take into account the District's and Bank's capital, asset quality, earnings, interest-rate risk and liquidity. The CIPA score is then compared against the agreed-upon standard of financial condition and performance that each District must achieve and maintain. The measurement standard established under the CIPA is intended to provide an early-warning mechanism to assist in monitoring the financial condition of each District. The performance standard under the CIPA is based on the average CIPA score over a four-quarter period.

The MAA is designed to provide for the timely identification and resolution of individual Bank financial issues and establishes performance criteria and procedures for the Banks that provide operational oversight and control over a Bank's access to System

funding. The performance criteria set forth in the MAA are as follows:

- the defined CIPA scores,
- the Tier 1 Leverage ratio of a Bank, and
- the Total Capital ratio of a Bank.

For additional information on the regulatory capital ratios, see page 34.

If a Bank fails to meet the MAA performance criteria, it will be placed into one of three categories. Each category gives the other System Banks and the Funding Corporation (collectively, the MAA Committee) progressively more control over a Bank that has declining financial performance under the MAA performance criteria. A "Category I" Bank is subject to additional monitoring and reporting requirements; a "Category II" Bank's ability to participate in issuances of Systemwide Debt Securities may, subject to the discretion of the MAA Committee, be limited to refinancing maturing debt obligations; and a "Category III" Bank may, subject to the discretion of the MAA Committee, not be permitted to participate in issuances of Systemwide Debt Securities. Decisions by the MAA Committee to permit, limit or prohibit a "Category II" or "Category III" Bank to participate in the issuance of Systemwide Debt Securities are subject to oversight and override by the Farm Credit Administration. A Bank exits these categories by returning to compliance with the agreed-upon performance criteria.

The criteria for the Tier 1 Leverage ratio and the Total Capital ratio are:

	Tier 1 Leverage Ratio	Total Capital Ratio
Category I	<5.0%	<10.5%
Category II	<4.0%	<8.0%
Category III	<3.0%	<7.0%

During the first six months of 2024, all Banks met the agreed-upon standards of financial condition and performance required by the CIPA and none of the Banks was placed in any of the three categories designated for Banks failing to meet MAA's specified financial criteria. (See Note 14 for each Bank's Tier 1 Leverage and Total Capital ratios.) For additional information regarding the CIPA or the MAA, see pages 22, 23 and 50 in the *2023 Annual Information Statement*.

Credit Risk Management

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our outstanding loans, letters of credit, unfunded loan commitments, investment portfolios and derivative counterparty credit exposures. (See pages 28 and 29 for a discussion regarding derivative counterparty exposure.)

System institutions manage credit risk associated with their retail lending activities through an analysis of the credit risk profile of an individual borrower. Each Bank and Association has its own set of underwriting standards and lending policies, approved by its board of directors, that provides direction to its loan officers. Underwriting standards include, among other things, an evaluation of:

- character — borrower integrity and credit history,
- capacity — repayment capacity of the borrower based on cash flows from operations or other sources of income,
- collateral — protects the lender in the event of default and represents a potential secondary source of loan repayment,
- capital — ability of the operation to survive unanticipated risks, and
- conditions — intended use of the loan funds.

The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, financial position, and collateral, which includes an analysis of credit scores for certain loans. Repayment capacity focuses on the borrower's

ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income.

Although System institutions monitor credit risk individually, the System has established a quarterly process to report System large loan exposures (outstanding loan amounts plus any unfunded loan commitments). A System risk management committee reviews and monitors large loan exposures to existing individual customers. The threshold for monitoring large loan exposures is \$1.5 billion and reflects the System's risk-bearing capacity. In certain limited circumstances, a threshold of \$1.75 billion for monitoring large loan exposures may be considered. Because it is possible that one or more System institutions may simultaneously make credit available to a customer that may, in the aggregate, exceed these limits, the process provides for quarterly data to be compiled on existing large loan exposures with notice provided to the Banks and Associations of the largest loan exposures, including all loan exposures to a borrower greater than 75% of the \$1.5 billion level or \$1.125 billion. While this process captures information regarding large loan exposures, any credit decision resides with the individual System institutions. At June 30, 2024 and at December 31, 2023, one exposure was above \$1.5 billion but less than \$1.75 billion. Additionally, twelve exposures at June 30, 2024 and nine exposures at December 31, 2023 exceeded \$1.125 billion.

For a detailed discussion of our credit risk management practices, see pages 50 through 52 in the *2023 Annual Information Statement*.

Loan Portfolio

The System's loan portfolio consists only of retail loans. For additional information on the types of loans we make, see pages 8 and 9 in the *2023 Annual Information Statement*. Bank loans to affiliated

Associations have been eliminated in the condensed combined financial statements. Loans outstanding consisted of the following:

	June 30, 2024	December 31, 2023
	(in millions)	
Real estate mortgage	\$ 181,343	\$ 177,622
Production and intermediate-term	72,710	73,385
Agribusiness:		
Processing and marketing	50,193	47,556
Loans to cooperatives	16,937	16,905
Farm-related business	7,802	6,499
Rural infrastructure:		
Power	35,894	34,238
Communication	14,539	14,230
Water/waste facilities	5,822	5,989
Agricultural export finance	8,308	8,418
Rural residential real estate	7,355	7,227
Lease receivables	4,683	4,705
Loans to other financing institutions	1,073	1,402
Total loans	<u>\$ 406,659</u>	<u>\$ 398,176</u>

Loan volume increased \$8.483 billion or 2.1% to \$406.659 billion at June 30, 2024, as compared with \$398.176 billion at December 31, 2023, primarily as a result of increases in real estate mortgage, processing and marketing, power and farm-related business loans offset, in part, by a decrease in production and intermediate-term loans.

Real estate mortgage loans increased \$3.721 billion or 2.1% during the first six months of 2024 primarily driven by targeted marketing efforts by certain Associations.

Production and intermediate-term loans decreased \$675 million or 0.9%, as compared with December 31, 2023, primarily due to seasonal repayments.

Processing and marketing loans increased \$2.637 billion or 5.5%, as compared with December 31, 2023, primarily due to increased loan volume with new and existing customers in the meat processing, fats and oils and other commodity sectors. To a lesser extent, increased utilization of revolving lines of credit in the meat processing sector also drove the increase.

Farm-related business loans increased \$1.303 billion or 20.0%, as compared with December 31, 2023, primarily due to increased lending to farm machinery and equipment dealers, chemical companies and other farm-related businesses.

Power loans increased \$1.656 billion or 4.8%, as compared with December 31, 2023, primarily due to increases in the rural electric regulated utility and rural electric distribution sectors.

System institutions reduce credit risk through certain federal government guarantee programs, such as the Farm Service Agency, Small Business Administration and General Sales Manager Program of the USDA. As of June 30, 2024, \$11.245 billion of loans had varying levels of federal government guarantees, as compared with \$10.869 billion of loans as of December 31, 2023. System institutions also limit, to some extent, the credit risk of certain real estate mortgage loans by entering into agreements with others that provide long-term standby commitments to purchase System loans and other credit guarantees. The amount of loans under these other credit guarantees was \$3.005 billion at June 30, 2024, of which \$2.552 billion was provided by Farmer Mac, as compared with total credit guarantees of \$3.183 billion at December 31, 2023, of which \$2.706 billion was provided by Farmer Mac. For additional information on Farmer Mac, see page 12 in the *2023 Annual Information Statement*.

Nonperforming Assets

Nonperforming assets and related credit quality statistics are as follows:

	June 30, 2024	December 31, 2023
	(in millions)	
Nonaccrual loans:		
Real estate mortgage	\$ 964	\$ 732
Production and intermediate-term	533	477
Agribusiness	497	282
Rural infrastructure	57	58
Rural residential real estate	38	36
Lease receivables	24	21
Total nonaccrual loans	2,113	1,606
Accruing loans 90 days or more past due:		
Real estate mortgage	217	107
Production and intermediate-term	82	17
Agribusiness	43	1
Rural residential real estate	1	
Lease receivables	10	9
Total accruing loans 90 days or more past due	353	134
Total nonperforming loans	2,466	1,740
Other property owned	121	58
Total nonperforming assets	<u>\$ 2,587</u>	<u>\$ 1,798</u>
	June 30, 2024	December 31, 2023
Nonaccrual loans as a percentage of total loans	0.52%	0.40%
Nonperforming assets as a percentage of total loans and other property owned	0.64	0.45
Nonperforming assets as a percentage of capital	3.37	2.45

The following table presents the nonaccrual loan activity:

	For the Six Months Ended June 30,	
	2024	2023
	(in millions)	
Balance at beginning of period	\$ 1,606	\$ 1,266
Additions:		
Gross amounts transferred into nonaccrual	1,226	1,196
Recoveries	16	9
Advances	74	261
Other, net	4	
Reductions:		
Charge-offs	(158)	(73)
Transfers to other property owned (book value)	(184)	(5)
Returned to accrual status	(57)	(122)
Repayments	(414)	(565)
Other, net		(13)
Balance at end of period	<u>\$ 2,113</u>	<u>\$ 1,954</u>

Nonaccrual loans increased \$507 million or 31.6% during the first six months of 2024, primarily due to credit quality deterioration impacting a limited number of borrowers in the tree fruits, nuts, hogs and various food processing related sectors. Nonaccrual loans that were current as to principal and interest were 49.3% of total nonaccrual loans at June 30, 2024, as compared with 53.2% at December 31, 2023. Accruing loans 90 days or more past due increased \$219 million to \$353 million at June 30, 2024. These loans are considered well secured, in the process of collection. A portion of these loans are concentrated in USDA guaranteed loans and loans for crop inputs that generally contain recourse agreements with third parties.

Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans was 0.44% at June 30, 2024, as compared with 0.26% at June 30, 2023. Loans classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans are as follows:

	June 30, 2024	December 31, 2023
Acceptable	95.3%	95.9%
Other assets especially mentioned	2.5	2.2
Substandard/doubtful	2.2	1.9
Total	<u>100.0%</u>	<u>100.0%</u>

Allowance for Credit Losses

The System's combined allowance for credit losses (ACL) was \$1.835 billion at June 30, 2024, as compared with \$1.826 billion at December 31, 2023. The increase was due to provision for credit losses of \$159 million during the first six months of 2024, offset in part by net charge-offs of \$150 million.

As previously described, production agriculture is a cyclical business and therefore System borrowers will face challenges from time to time due to reduced net farm income and volatility in commodity prices. During the past few years, the farm sector financial performance has been favorable. As a result, many System borrowers' financial positions are relatively strong, positioning them to continue to manage their businesses if the farm sector enters a period of lower net farm income and reduced commodity prices. System underwriting standards require strong collateral support for real estate mortgage loans. By regulation, real estate mortgage loans must have a loan-to-value ratio of 85% or less at origination or up to 97% if guaranteed by federal, state or other governmental agency. Most of the System's real estate mortgage loans at origination had a loan-to-value ratio below the statutory maximum of 85%. These factors help to mitigate the System's exposure to loan losses. At June 30, 2024 and December 31, 2023, \$865 million and \$707 million of the System's \$2.113 billion and \$1.606 billion of nonaccrual loans had specific reserves. The remaining nonaccrual loans for each period were evaluated and determined not to need a specific reserve.

The following table presents the activity in the allowance for credit losses:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	(in millions)			
Allowance for credit losses on loans - beginning of period	\$ 1,575	\$ 1,571	\$ 1,617	\$ 1,576
Cumulative effect of a change in accounting principle ¹				(132)
Adjustment due to Association mergers ²		(9)		(75)
Charge-offs:				
Real estate mortgage	(11)	(2)	(18)	(2)
Production and intermediate-term	(42)	(10)	(62)	(39)
Agribusiness	(15)	(16)	(85)	(28)
Rural infrastructure	(2)		(3)	(1)
Lease receivables	(2)	(1)	(3)	(3)
Total charge-offs	(72)	(29)	(171)	(73)
Recoveries:				
Real estate mortgage			2	1
Production and intermediate-term	9	6	15	9
Agribusiness	1	2	4	3
Total recoveries	10	8	21	13
Net charge-offs	(62)	(21)	(150)	(60)
Provision for credit losses on loans	123	150	169	382
Allowance for credit losses on loans - end of period	<u>\$ 1,636</u>	<u>\$ 1,691</u>	<u>\$ 1,636</u>	<u>\$ 1,691</u>
Allowance for credit losses on unfunded commitments - beginning of period	\$ 200	\$ 168	\$ 206	\$ 222
Cumulative effect of a change in accounting principle ¹				(58)
(Credit loss reversal) provision for credit losses on unfunded commitments	(3)	21	(9)	25
Allowance for credit losses on unfunded commitments - end of period	<u>\$ 197</u>	<u>\$ 189</u>	<u>\$ 197</u>	<u>\$ 189</u>
Allowance for credit losses on investments - beginning of period	\$ 3	\$ 6	\$ 3	\$ 0
Cumulative effect of a change in accounting principle ¹				6
Credit loss reversal on investments	(1)		(1)	
Allowance for credit losses on investments - end of period	<u>\$ 2</u>	<u>\$ 6</u>	<u>\$ 2</u>	<u>\$ 6</u>
Total allowance for credit losses	<u>\$ 1,835</u>	<u>\$ 1,886</u>	<u>\$ 1,835</u>	<u>\$ 1,886</u>

¹ Effective January 1, 2023, the System adopted the CECL standard and other subsequently issued accounting standards updates related to credit losses resulting in the cumulative effect adjustment. For additional information on the impact of adoption, see Note 2 in the 2023 Annual Information Statement.

² Adjustment for the six months ended June 30, 2023 includes the initial allowance for credit losses on purchased credit deteriorated (PCD) loans of \$19 million. There was no adjustment for the three months ended June 30, 2023 related to PCD loans. There have been no mergers in 2024.

Allowance for credit losses on loans are as follows:

	June 30, 2024		December 31, 2023	
	Amount	%	Amount	%
	(\$ in millions)			
Real estate mortgage	\$ 396	24.2%	\$ 372	23.0%
Production and intermediate-term	300	18.3	274	17.0
Agribusiness	527	32.2	536	33.1
Rural infrastructure	334	20.4	332	20.5
Agricultural export finance	20	1.2	27	1.7
Rural residential real estate	16	1.0	28	1.7
Lease receivables	42	2.6	47	2.9
Loans to other financing institutions	1	0.1	1	0.1
Total	<u>\$ 1,636</u>	<u>100.0%</u>	<u>\$ 1,617</u>	<u>100.0%</u>

The allowance for credit losses on loans as a percentage of total loans outstanding and as a percentage of certain other credit quality indicators are shown below:

	June 30, 2024	December 31, 2023
Allowance for credit losses on loans as a percentage of:		
Total loans	0.40%	0.41%
Nonperforming assets...	63.2	89.9
Nonaccrual loans	77.4	100.7
	June 30, 2024	June 30, 2023
Annualized net charge-offs as a percentage of average loans outstanding during the six months ended	0.07%	0.03%

Interest Rate Risk Management

Interest rate risk is the risk of loss of future earnings or long-term market value of equity that may result from changes in interest rates. This risk can produce variability in the System's net interest income and the long-term value of the System's capital position. The System actively manages the following risks:

- Yield curve risk — results from changes in the level, shape, and implied volatility of the yield curve. Changes in the yield curve often arise due to the market's expectation of future interest rates at different points along the yield curve.

- Repricing risk — results from the timing differences (mismatches) between interest-bearing assets and liabilities that limit the ability to alter or adjust the rates earned on assets or paid on liabilities in response to changes in market interest rates.
- Option risk — results from “embedded options” that are present in many financial instruments, including the right to prepay loans before the contractual maturity date. Loan features that provide the borrower with flexibility frequently introduce a risk exposure to the lender. For example, a fixed-rate loan may provide a potential borrower with a rate guarantee, an option to lock-in the loan rate for a period of time prior to closing, which protects the borrower from an increase in interest rates between the time loan terms are negotiated and the loan closes. If interest rates increase while the rate guarantee is in effect and no measures are taken to hedge the rate guarantee, System institutions may realize a lower spread than expected when the loan is funded.

Borrowers may also have the option to repay a loan's principal ahead of schedule. If interest rates fall, System institutions may be forced to reinvest principal repaid from higher rate loans at a lower rate, which may reduce the interest rate spread unless the underlying debt can be similarly refinanced.

Interest rate caps are another form of embedded options that may be present in certain investments and floating- and adjustable-rate loans. Interest rate caps typically prevent the investment or loan rate

from increasing above a defined limit. In a rising interest rate environment, the spread may be reduced if caps limit upward adjustments to floating investment or loan rates while debt costs continue to increase.

Interest rate floors are also embedded options that may be present in certain investments and floating- and adjustable-rate loans. Interest rate floors prevent the loan or investment rate from decreasing below a certain defined limit. In a declining rate environment, the spread may be widened if the floor limits the downward adjustments to a floating-rate investment or loan rate as underlying debt costs continue to decrease below the floor rate.

- **Basis risk** — results from unexpected changes in the relationships among interest rates and interest rate indexes. Basis risk can produce volatility in the spread earned on a loan or an investment relative to its cost of funds. This risk arises when the floating-rate index tied to a loan or investment differs from the index on the Systemwide Debt Security issued to fund the loan or investment.

The goal in managing interest rate risk is to maintain stable earnings and preserve the long-term market value of equity. In most cases, the wholesale funding provided by a Bank to an Association matches the terms and embedded options of the Association's retail loans. This funding approach shifts the majority of the interest rate risk associated with retail loans from the Association to its funding Bank where interest rate risk is generally managed centrally. The Banks manage the District interest rate risk through its direct loan pricing and funding processes. However, a limited number of Associations are managing their own interest rate risk associated with their retail loans and investments as part of the Associations' asset/liability management (ALM) processes. These Associations order and manage the desired mix of debt from their funding Bank and are referred to herein as ALM Associations. As of June 30, 2024, ALM Associations had combined assets of approximately 10% of System total assets.

All Banks and Associations are responsible for developing ALM policies and strategies to manage interest rate risk that are commensurate with the complexity of their business activities and for monitoring and reporting this risk on a regular basis. These policies include guidelines for measuring and evaluating exposures to interest rate risk. In addition,

the policies establish limits for interest rate risk and define the role of the board of directors in delegating day-to-day responsibility for interest rate risk management to Bank or Association management. That authority generally is delegated to an ALM committee, made up of senior Bank or Association managers. The policies define the composition of the committee and its responsibilities. Interest rate risk management is also subject to certain intra-System agreements, including the CIPA and MAA, and regulatory oversight by the Farm Credit Administration.

One of the primary benefits of our status as a government-sponsored enterprise debt issuer is that, through the Funding Corporation and its selling group, the System has daily access to the debt markets and, under normal market conditions, significant flexibility in structuring the maturity and types of debt securities we issue to match asset cash flows. This ability to access the debt markets helps us minimize the risk that interest rates might change between the time loan commitments are made and the time they are funded.

Flexibility in structuring debt enables us to issue Systemwide Debt Securities that offset most of the primary interest rate risk exposures embedded in our loans. For example, by issuing floating-rate Systemwide Debt Securities we are able to minimize the basis risk exposure presented by similarly-indexed, floating-rate loans. As discussed above, some of our fixed-rate loans may provide borrowers with the option to prepay their loans. In most interest rate environments, we are able to significantly offset the risk created by a prepayment option by funding prepayable fixed-rate loans with callable debt. Callable debt provides us with the option to retire debt early to offset prepayment risk in earning assets or refinance debt in a declining interest rate environment.

Approximately 76% of our fixed-rate loans at June 30, 2024 provide the borrowers with the option to prepay their loan at any time without fees, and the remainder of the System's fixed-rate loans contain provisions requiring prepayment fees to partially or fully compensate the System for the cost of retiring the debt prior to the maturity date, some of which may be non-callable.

The Banks participate in the derivatives markets to manage interest rate risk. Our use of derivatives is detailed later in this section.

Interest Rate Risk Measurements

Each Bank and Association is required to assess and manage interest rate risk. For Banks and ALM Associations, the primary approaches to managing interest rate risk are interest rate gap analysis, net interest income sensitivity analysis, market value of equity sensitivity analysis and duration gap analysis. These measures are calculated using sophisticated simulation models that are periodically back tested and reviewed by third parties for reasonableness. On a monthly basis, the asset/liability models are updated with information on loans, investment securities, Systemwide debt securities and derivatives. This "current position" is the starting point for all interest rate risk measurements. The current position is then combined with assumptions and market implied forward rates to derive the estimates of future net interest income. Generally, the assumptions on pricing, maturity characteristics and funding mix are set using trend analysis of actual asset and liability data. Balance sheets can be repositioned as a result of anticipated interest rate changes as necessary.

Interest Rate Risk Management Results

Interest Rate Gap Analysis

The interest rate gap analysis is a static indicator, which does not reflect the dynamics of balance sheet, cash flows, interest rate and spread changes and financial instrument optionality, and may not necessarily indicate the sensitivity of net interest income in a changing interest rate environment. Within the gap analysis, gaps are created when an institution uses its capital to fund assets. Capital serves as a noninterest-bearing source of funding for the balance sheet and thus requires the Banks and Associations to make decisions about the maturity mix of assets funded by it. Using capital to fund short-term assets results in increased volatility of net interest income, whereas using capital to fund long-term assets results in increased volatility in the market value of equity. Capital reduces the amount of debt that otherwise would be required to fund a certain level of assets. The quantity of earning assets will exceed the quantity of interest-bearing liabilities in any repricing interval where capital provides part of the funding. The gap table includes anticipated cash flows on interest sensitive assets and liabilities given the current level of interest rates.

The interest rate gap analysis below presents a comparison of interest-sensitive assets and liabilities in defined time segments as of June 30, 2024.

	Repricing Intervals				
	0-6 Months	6 Months to 1 Year	1-5 Years	Over 5 Years	Total
	(\$ in millions)				
Floating-rate loans:					
Indexed/adjustable-rate loans	\$ 82,806	\$ 190	\$ 657	\$ 714	\$ 84,367
Administered-rate loans	66,044				66,044
Fixed-rate loans:					
Fixed-rate with prepayment or conversion fees	8,479	5,111	26,160	18,757	58,507
Fixed-rate without prepayment or conversion fees	40,373	16,837	81,966	56,452	195,628
Nonaccrual loans				2,113	2,113
Total gross loans	197,702	22,138	108,783	78,036	406,659
Federal funds sold, securities purchased under resale agreements, investments and other interest-earning assets	41,675	5,322	29,315	13,324	89,636
Total earning assets	239,377	27,460	138,098	91,360	496,295
Interest-bearing liabilities:					
Callable bonds and notes	31,151	15,087	61,054	50,444	157,736
Noncallable bonds and notes	166,557	19,735	60,281	16,360	262,933
Subordinated debt				398	398
Other interest-bearing liabilities	6,896			790	7,686
Total interest-bearing liabilities	204,604	34,822	121,335	67,992	428,753
Effect of interest rate swaps and other derivatives	8,305	(6,434)	(8,760)	6,889	
Total interest-bearing liabilities adjusted for swaps and other derivatives	212,909	28,388	112,575	74,881	428,753
Interest rate sensitivity gap (total earning assets less total interest-bearing liabilities adjusted for swaps and other derivatives)	\$ 26,468	\$ (928)	\$ 25,523	\$ 16,479	\$ 67,542
Cumulative gap	\$ 26,468	\$ 25,540	\$ 51,063	\$ 67,542	
Cumulative gap as a percentage of total earning assets	5.33%	5.15%	10.29%	13.61%	

As illustrated above, the System had a positive gap position between its earning assets and interest-bearing liabilities for the zero to six months repricing interval as measured on June 30, 2024 and reflects the System's asset-sensitive position during this time period.

Typically, the net interest income of an institution that is asset sensitive will be favorably impacted in a rising rate environment and unfavorably impacted in a declining rate environment. However, the System's net interest income benefits in a declining interest rate environment due to its ability to exercise call options on callable debt.

The System's net interest spread, a component of its net interest margin, may also react in a different manner due to certain conditions at the time an earning asset or interest-bearing liability reprices. These conditions include competitive pressures on spreads or rates, the shape of the yield curve and how capital is deployed to fund earning assets. In addition, a significant portion of the System's floating-rate loans are administered-rate loans that, unlike indexed loans, require definitive action by management to change the interest rate. The interest rates charged on administered-rate loans may reflect managements' assessments of whether rate changes are feasible or warranted in view of market conditions. Therefore, the

actual interest rates charged on administered-rate loans may not reflect the movement of interest rates in the markets, thereby creating volatility in net interest income.

The System's cumulative gap position in the zero to six months repricing interval increased to 5.33% at June 30, 2024 from 5.07% at December 31, 2023.

Sensitivity Analysis

In addition to the static view of interest rate sensitivity shown by the gap analysis, each Bank and ALM Association conducts simulations of net interest income and market value of equity under different interest rate scenarios. Market value of equity is the net present value of all future cash flows discounted to a valuation date, using discounting factors derived from observed market rates on the same valuation date. In all cases, the underlying assumptions are held constant so that results are comparable from scenario to scenario. However, actual results would differ to the extent that changes in strategy were undertaken to mitigate the unfavorable impact of interest rate changes.

The sensitivity analysis incorporates the effects of leverage and the optionality of interest sensitive assets and liabilities due to interest rate changes. The two primary scenarios used for the analysis reflect the impact of interest rate shocks upward and downward (i.e., immediate, parallel changes upward and downward in the yield curve) on projected net interest income and on market value of equity. The Banks and ALM Associations also use other types of measures to manage interest rate risk including rate ramps (gradual change in rates) and yield curve slope changes.

The upward and downward shocks are generally based on movements of 100 and 200 basis points in interest rates, which are considered significant enough to capture the effects of embedded options and convexity within the assets and liabilities so that underlying risk may be revealed. Under these simulations, based on the aggregate District changes in net interest income and market value of equity, the System's aggregate sensitivity to interest rate changes are as follows:

	June 30, 2024			
	-200	-100	+100	+200
Change in net interest income.....	-1.50%	-0.74%	2.02%	3.08%
Change in market value of equity	7.73%	3.63%	-3.56%	-6.87%

	December 31, 2023			
	-200	-100	+100	+200
Change in net interest income.....	-2.50%	-1.26%	2.45%	3.98%
Change in market value of equity	8.18%	3.86%	-3.54%	-6.86%

Each Bank's and ALM Association's interest rate risk management policy establishes limits for changes in interest rate sensitivity under these simulations in accordance with its asset/liability management policies. District measurements are presented in the Supplemental Financial Information on page F-64.

In addition to the interest rate scenarios required for reporting and regulatory purposes, the Banks and ALM Associations periodically perform additional scenario analyses to study the effects of changes in critical modeling assumptions — for example, the impact of increased/decreased prepayments, changes in the relationship of the System's funding cost to other benchmark interest rates, additional non-parallel shifts in the yield curve, and changes in market volatility. (For a more detailed discussion of sensitivity analysis and prepayment modeling assumptions, see pages 69 and 70 in the *2023 Annual Information Statement*.)

Duration Gap Analysis

Another risk measurement is duration, which we calculate using a simulation model. Duration is the weighted average maturity (typically measured in months or years) of an instrument's cash flows, weighted by the present value of those cash flows. As such, duration provides an estimate of an instrument's sensitivity to small changes in market interest rates. The duration gap is the difference between the estimated durations of assets and liabilities. All else being equal, an institution with a small duration gap has less exposure to interest rate risk than an institution with a large duration gap.

The System's aggregate duration gap was a positive 3.1 months at June 30, 2024 and a positive 3.2 months at December 31, 2023. Generally, a duration gap within the range of a positive six months to a negative six months indicates a small exposure to changes in interest rates.

Duration gap provides a relatively concise and static measure of the interest rate risk inherent in the balance sheet, but it is not directly linked to expected future earnings performance. An institution's overall exposure to interest rate risk is a function not only of the duration gap, but also of the financial leverage

inherent in the institution's capital structure. For the same duration gap, an institution with more capital will have a lower overall percentage exposure to interest rate risk than one with less capital and more leverage.

There are some limitations to duration analysis as balance sheets are dynamic. Durations change over time and as the composition of a portfolio changes.

Derivative Products

Derivative products are a part of our interest rate risk management process and supplement our issuance of debt securities in the capital markets. Derivative financial instruments are used as hedges to manage interest rate and liquidity risks and to lower the overall cost of funds. System institutions do not hold or enter into derivative transactions for trading purposes. Derivative products are subject to regulatory compliance obligations, including, among other things, accounting, reporting, clearing and margining. Clearing and margining are discussed in more detail below.

The primary types of derivative products used and hedging strategies employed are described on page 71 of the *2023 Annual Information Statement*. For additional information on derivative products and hedging activities, see Note 11 to the accompanying condensed combined financial statements.

The aggregate notional amount of the System's derivative products, most of which consisted of interest rate swaps, increased \$16.019 billion to \$105.603 billion at June 30, 2024, as compared with \$89.584 billion at December 31, 2023. The aggregate notional amount of these instruments, which is not included in the Condensed Combined Statement of Condition, is indicative of the System's activities in derivative financial instruments, but is not an indicator of the level of credit risk associated with these instruments. The exposure to credit risk is a small fraction of the aggregate notional amount.

By using derivative instruments, System institutions are exposed to counterparty credit risk. If a

counterparty fails to fulfill its performance obligations under a derivative contract, the credit risk exposure will equal the fair value gain in a derivative. When the fair value of a derivative is positive, the counterparty would owe us money on early termination of the derivative, thus creating credit risk. When the fair value of the derivative is negative, we would owe the counterparty money on early termination of the derivative, and, therefore, assume no credit risk.

System institutions clear a significant portion of derivative transactions through a futures commission merchant, with a clearinghouse (i.e. a central counterparty). Cleared derivatives require the payment of initial and variation margin as a protection against default. To minimize the risk of credit losses for non-cleared derivatives, credit standing and levels of exposure to individual counterparties are monitored and derivative transactions are almost exclusively entered into with non-customer counterparties that have an investment grade or better credit rating from a major rating agency. Nonperformance by any of these counterparties is not anticipated. System institutions typically enter into master agreements that govern all derivative transactions with a counterparty and contain netting provisions. These provisions require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts and also include bilateral collateral agreements requiring the exchange of collateral to offset credit risk exposure. In some instances, the bilateral exchange of collateral is required by regulation, whereas in other instances it is based on dollar thresholds of exposure that consider a counterparty's creditworthiness. For additional information related to derivatives, see pages 72 through 74 in the *2023 Annual Information Statement*.

The Banks may enter into derivatives with their customers, including Associations, as a service to enable customers to transfer, modify or reduce their interest rate risk by transferring this risk to the Banks. The Banks substantially offset the interest rate risk by concurrently entering into offsetting agreements with non-System institutional derivative counterparties.

The exposure on derivatives by counterparty credit rating (Moody's) that would be owed to us due to a default or early termination by our counterparties at June 30, 2024 and December 31, 2023 are as follows:

	June 30, 2024					December 31, 2023				
	Number of Counterparties	Notional Principal	Credit Exposure	Collateral Held	Exposure, Net of Collateral	Number of Counterparties	Notional Principal	Credit Exposure	Collateral Held	Exposure, Net of Collateral
	(\$ in millions)									
Bilateral derivatives:										
Aa1	1	\$ 437	\$ 17	\$ 5	\$ 12	1	\$ 436	\$ 11	\$ 4	\$ 8
Aa2	4	12,562	181	176	12	3	5,997	175	172	10
Aa3	1	19	1	1		1	19	1	1	
A1	3	5,647	138	139	1	3	5,574	125	132	
A3	1	1,382	56	57		2	945	54	58	
Baa2	1	6				1	3			
Cleared derivatives(1)	3	72,458	66		66	3	63,874	19		19
Total	14	\$92,511	\$ 459	\$ 378	\$ 91	14	\$76,848	\$ 385	\$ 367	\$ 37

(1) Represents derivative transactions cleared with central counterparties, which are not rated. Excluded from the table is initial margin posted by three Banks and one Association totaling \$470 million and \$361 million at June 30, 2024 and December 31, 2023 related to cleared derivative transactions.

Note: Due to grouping of counterparties by credit rating, exposure, net of collateral may not represent the difference between credit exposure and collateral held. The above table excludes \$13.085 billion and \$12.728 billion in notional amount of derivative financial instruments at June 30, 2024 and December 31, 2023 related to interest rate swaps that two Banks entered into with certain of their customers. Also excluded is \$7 million and \$8 million in notional amount of derivative financial instruments at June 30, 2024 and December 31, 2023 related to forward commitments that one Bank and one Association have entered into to hedge interest rate risk on interest rate locks.

At June 30, 2024, the Banks' counterparties posted \$317 million of cash and \$61 million in securities as collateral with us, as compared with \$297 million of cash and \$70 million in securities at December 31, 2023. None of the Banks had posted collateral with respect to their obligations under these agreements at both June 30, 2024 and December 31, 2023.

Liquidity Risk Management

General

Liquidity risk management is necessary to ensure our ability to meet our financial obligations. These obligations include the repayment of Systemwide Debt Securities as they mature, the ability to fund new and existing loans and other funding commitments, and the ability to fund operations all within a cost-effective manner. A primary objective of liquidity risk management is to plan for unanticipated changes in the capital markets. The Banks and Funding Corporation have established a Contingency Funding Program to provide for contingency financing mechanisms and procedures to address potential disruptions in the System's communications, operations and payments

systems, as well as the ability to handle events that threaten continuous market access by the Banks or disrupt the Funding Corporation's normal operations. Under this Contingency Funding Program, the Funding Corporation has the option to finance maturing Systemwide Debt Securities through the issuance of Systemwide discount notes either directly to institutional investors or through the selling group. In addition, the Funding Corporation, in consultation with the Banks, may also issue Systemwide bonds directly to institutional investors. The Funding Corporation, on behalf of the Banks, may also incur other obligations, such as Federal funds purchased, that would be the joint and several obligations of the Banks and would be insured by the Insurance Corporation to the extent funds are available in the Insurance Fund.

In addition, each Bank maintains contingency funding plans that address actions each Bank would consider in the event that there is not ready access to traditional funding sources. These potential actions include drawing on existing uncommitted lines of credit with various financial institutions, borrowing overnight via federal funds, using investment securities as collateral to borrow cash, selling

investment securities under repurchase agreements, using the proceeds from maturing investments and selling liquid investments.

The System does not have a guaranteed line of credit from the U.S. Treasury or the Federal Reserve. However, the Insurance Corporation has an agreement with the Federal Financing Bank, a federal instrumentality subject to the supervision and direction of the U.S. Treasury, pursuant to which the Federal Financing Bank would advance funds to the Insurance Corporation under certain limited circumstances. Under its existing statutory authority, the Insurance Corporation may use these funds to provide assistance to the System Banks in exigent market circumstances that threaten the Banks' ability to pay 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 Insurance Corporation or the Federal Financing Bank. The decision whether to seek funds from the Federal Financing Bank is at the discretion of the Insurance Corporation, and each funding obligation of the Federal Financing Bank is subject to various terms and conditions and, as a result, there can be no assurance that funding would be available if needed by the System.

Funding Sources

Our primary source of liquidity is from the ability to issue Systemwide Debt Securities, which are the general unsecured joint and several obligations of the Banks. The Banks continually raise funds to support the mission to provide credit and related services to the agricultural and rural sectors, repay maturing Systemwide Debt Securities, build liquidity

and meet other obligations. As government-sponsored enterprises, the Banks have had access to the global capital markets. This access has traditionally provided a dependable source of competitively priced debt that is critical to support our mission of providing funding to the agricultural and rural sectors. The U.S. government does not guarantee, directly or indirectly, the payment of principal or interest on any Systemwide Debt Securities issued by the Banks.

Federal Funds and Available-for-Sale Investments

As more fully described on page 76 in the *2023 Annual Information Statement*, by regulation a Bank is authorized to hold eligible investments in an amount not to exceed 35% of a Bank's average loans outstanding for the quarter. Investments are utilized for the purposes of maintaining a diverse source of liquidity, managing short-term surplus funds and managing interest rate risk and, in so doing, they may enhance profitability. At June 30, 2024, no Bank exceeded the 35% limit.

In addition, the Associations are authorized to hold securities as eligible risk management investments that are issued by, or are unconditionally guaranteed or insured as to the timely payment of principal and interest by, the U.S. government or its agencies with the approval of its affiliated Bank. Associations may also hold portions of USDA Guaranteed Loans purchased in the secondary market as eligible risk management investments. Aggregated eligible risk management investments may not exceed 10% of an Association's total average 90-day outstanding loan balance. At June 30, 2024, no Association exceeded the 10% limit.

Bank eligible investments (carried at fair value) must comply with the regulatory eligibility criteria to be included in the liquidity investment portfolio and

for reporting purposes are shown by credit ratings issued by Moody's Investors Service, S&P Global Ratings, or Fitch Ratings as follows:

June 30, 2024	Eligible Investments				
	AAA/Aaa	A1/P1/F1	Split Rated¹	A/A	Total
	(in millions)				
Federal funds sold and securities purchased under resale agreements		\$ 4,781			\$ 4,781
Commercial paper, bankers' acceptances, certificates of deposit and other securities		7,667	\$ 1,542	\$ 52	9,261
U.S. Treasury securities			20,686		20,686
U.S. agency securities			2,469		2,469
Mortgage-backed securities:					
Agency collateralized			34,701		34,701
Agency whole-loan pass through			2,026		2,026
Private label-FHA/VA			17		17
Asset-backed securities	\$ 959		5,165		6,124
Total	\$ 959	\$ 12,448	\$ 66,606	\$ 52	\$ 80,065

December 31, 2023	Eligible Investments				
	AAA/Aaa	A1/P1/F1	Split Rated¹	A/A	Total
	(in millions)				
Federal funds sold and securities purchased under resale agreements		\$ 7,462			\$ 7,462
Commercial paper, bankers' acceptances, certificates of deposit and other securities		7,691	\$ 3,104	\$ 97	10,892
U.S. Treasury securities			20,296		20,296
U.S. agency securities			2,410		2,410
Mortgage-backed securities:					
Agency collateralized			32,766		32,766
Agency whole-loan pass through			2,167		2,167
Private label-FHA/VA			19		19
Asset-backed securities	\$ 1,118		5,212	4	6,334
Total	\$ 1,118	\$ 15,153	\$ 65,974	\$ 101	\$ 82,346

¹Investment that received the highest credit rating from at least one rating organization.

As noted in the tables above, the split rating on investments in U.S. Treasury, U.S. agency and agency mortgage-backed securities is the result of S&P Global Ratings and Fitch Ratings maintaining the U.S. government's long-term sovereign credit rating of AA+, while Moody's Investors Service maintains a rating of Aaa for U.S. government and agency securities.

If a Bank held investment no longer meets the regulatory eligibility criteria referred to above, the

investment becomes ineligible for regulatory liquidity calculation purposes. Under Farm Credit Administration regulations, if a Bank held investment is eligible when purchased but no longer satisfies the eligibility criteria referred to above, the Bank may continue to hold it subject to the following requirements:

- the Bank must notify the Farm Credit Administration within 15 calendar days after such determination,

- the Bank must not use the investment to satisfy its liquidity requirement,
- the Bank must continue to include the investment in the investment portfolio limit calculation,
- the Bank may continue to include the investment as statutory collateral at lower of cost or market, and
- the Bank must develop a plan to reduce the risk posed by the investment.

The Farm Credit Administration has the authority to require a Bank to divest any investment at

The types of mortgage-backed and asset-backed securities that are included in the Banks' investment portfolio are as follows:

	June 30, 2024			December 31, 2023		
	Amortized Cost	Fair Value	Unrealized Gains/(Losses)	Amortized Cost	Fair Value	Unrealized Gains/(Losses)
	(in millions)					
Mortgage-backed securities:						
Agency collateralized	\$ 37,058	\$ 34,701	\$ (2,357)	\$ 35,120	\$ 32,766	\$ (2,354)
Agency whole-loan pass through ..	2,426	2,026	(400)	2,525	2,167	(358)
Private label-FHA/VA	73	63	(10)	79	68	(11)
Total mortgage-backed securities	<u>\$ 39,557</u>	<u>\$ 36,790</u>	<u>\$ (2,767)</u>	<u>\$ 37,724</u>	<u>\$ 35,001</u>	<u>\$ (2,723)</u>
Asset-backed securities:						
Small business loans	\$ 5,614	\$ 5,165	\$ (449)	\$ 5,627	\$ 5,212	\$ (415)
Equipment loans	421	421		289	291	2
Credit card receivables	388	385	(3)	385	383	(2)
Auto loans	79	80	1	366	366	
Other	73	73		83	82	(1)
Total asset-backed securities	<u>\$ 6,575</u>	<u>\$ 6,124</u>	<u>\$ (451)</u>	<u>\$ 6,750</u>	<u>\$ 6,334</u>	<u>\$ (416)</u>

Other Investments

As mentioned above, Associations are permitted to hold investments but they are limited to securities that are issued by, or are unconditionally guaranteed or insured as to the timely payment of principal and interest, the U.S. government or its agencies. Mortgage-backed securities issued by Farmer Mac are also considered allowable investments for both Banks and Associations but are excluded from the Banks' eligible investment limitation and the Banks' liquidity calculations. These Farmer Mac securities are backed by farm and ranch loans or USDA-guaranteed portion of loans.

any time for failure to comply with its regulation or for safety and soundness reasons. As of June 30, 2024, the Farm Credit Administration has not required disposition of any of these securities. Bank managements do not believe that events will occur that would require them to dispose of any of these securities.

Ineligible securities (carried at fair value) held by the Banks totaled \$465 million at June 30, 2024 and \$679 million at December 31, 2023 and represented 0.6% and 0.8% of Federal funds and available-for-sale investments at June 30, 2024 and December 31, 2023, respectively.

Other investments outstanding that are classified as held-to-maturity (carried at amortized cost) are as follows:

	June 30, 2024	December 31, 2023
	(in millions)	
Small Business Administration and other government guaranteed securities.....	\$ 5,134	\$ 3,975
Farmer Mac securities.....	593	589
Rural America bonds and Agricultural Rural Community bonds.....	29	30
Total.....	<u>\$ 5,756</u>	<u>\$ 4,594</u>

Other investments outstanding that are classified as available-for-sale (carried at fair value) are as follows:

	June 30, 2024	December 31, 2023
	(in millions)	
U.S. Treasury securities	\$ 1,818	\$ 1,776
Small Business Administration and other government guaranteed securities	197	190
Rural home loan securities	105	116
Farmer Mac securities	8	8
Other securities	13	18
Total	<u>\$ 2,141</u>	<u>\$ 2,108</u>

Liquidity Standard

The Farm Credit Administration regulations on liquidity set forth requirements for the Banks to:

- maintain board policies and management procedures to monitor, measure, manage and mitigate liquidity and other related risks;
- maintain a three-tiered liquidity reserve. The first tier of the liquidity reserve must consist of a sufficient amount of cash and/or cash-like instruments to cover each Bank's principal portion of maturing obligations and other borrowings for 15 days. The second and third tiers of the liquidity reserve must contain cash, cash-like instruments, and/or eligible highly liquid instruments that are sufficient to cover the Bank's obligations for the next 15 and subsequent 60 days, respectively;
- establish a supplemental liquidity buffer, in addition to the three tiers set forth immediately above, that would provide a longer term, stable source of funding beyond the 90-day minimum and is comprised of cash and eligible investments; and
- maintain a Contingency Funding Plan to ensure sources of liquidity are sufficient to fund normal operations under a variety of stress events.

The number of days of liquidity is calculated by comparing the principal portion of maturing Systemwide Debt Securities and other borrowings of each Bank with the total amount of cash, cash equivalents and eligible investments maintained by that Bank. For purposes of calculating liquidity, liquid assets are reflected at fair value discounted for

potential exposure to adverse market value changes that might be recognized upon liquidation or sale and include only the eligible investments of the Banks.

At June 30, 2024, each Bank met the individual tiers' minimums of the liquidity reserve and exceeded the aggregate regulatory minimum 90 days of liquidity. Each Bank's aggregate liquidity position, which includes the liquidity reserve plus the supplemental buffer, ranged from 157 to 213 days at June 30, 2024. The Banks' aggregate liquidity position was 179 days at June 30, 2024, as compared with 183 days at December 31, 2023. (See Note 14 to the accompanying condensed combined financial statements for each Bank's liquidity position at June 30, 2024 and December 31, 2023.)

Cash provided by the System's operating activities (primarily generated from net interest income in excess of operating expenses) of \$4.289 billion and \$4.255 billion for the first six months of 2024 and 2023 provides an additional source of liquidity for the System that is not reflected in the individual Bank's calculation of days of liquidity under the standard. Further, funds in the Insurance Fund would be used to repay maturing Systemwide Debt Securities, to the extent available, if no other sources existed to repay the debt.

Capital Adequacy and the Ability to Repay Systemwide Debt Securities

Capital serves to support asset growth and provide protection against unexpected credit and interest rate risk and operating losses. Capital is also needed for future growth and investment in new products and services. We believe a sound capital position is critical to providing protection to investors in Systemwide Debt Securities and our long-term financial success.

The primary source of capital formation in the System is net income earned and retained. Capital accumulated through earnings has been partially offset by cash patronage distributions to stockholders. Retained earnings and additional paid-in-capital are the most significant components of capital. As of June 30, 2024, retained earnings and additional paid-in-capital totaled \$67.8 billion and represented 88.2% of capital, as compared with \$64.9 billion and 88.5% at December 31, 2023. Capital as a percentage of assets increased to 14.9% at June 30, 2024, as compared with 14.4% at December 31, 2023.

Farm Credit Administration Capital Requirements

The following sets forth the regulatory capital ratio requirements and ratios at June 30, 2024:

Ratio	Primary Components of Numerator	Denominator	Minimum Requirement	Minimum with Buffer	Banks*	Associations
Common Equity Tier 1 (CET1) Capital	Unallocated retained earnings (URE) and common cooperative equities (qualifying capital stock and allocated equity) ¹	Risk-weighted assets	4.5%	7.0%	8.6% - 16.0%	9.9% - 34.5%
Tier 1 Capital	CET1 Capital and non-cumulative perpetual preferred stock	Risk-weighted assets	6.0%	8.5%	13.4% - 16.0%	11.7% - 34.5%
Total Capital	Tier 1 Capital, adjusted allowance for credit losses ² , other common cooperative equities ³ , and term preferred stock and subordinated debt ⁴	Risk-weighted assets	8.0%	10.5%	14.2% - 16.0%	12.1% - 35.7%
Tier 1 Leverage	Tier 1 Capital (at least 1.5% must be URE and URE equivalents (UREE))	Total assets	4.0%	5.0%	5.1% - 6.9%	10.4% - 33.8%
Permanent Capital	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	Risk-weighted assets	7.0%	N/A	13.5% - 16.0%	11.7% - 34.9%
Unallocated Retained Earnings and UREE Leverage	URE and UREE	Total assets	1.5%	N/A	1.8% - 4.6%	4.0% - 33.6%

* See Note 14 to the accompanying condensed combined financial statements for each Bank's Total Capital ratio and Tier 1 Leverage ratio at June 30, 2024 and December 31, 2023.

¹ Equities subject to a minimum redemption or revolvment period of 7 or more years.

² Capped at 1.25% of risk-weighted assets and includes allowance for credit losses on loans and unfunded commitments.

³ Equities subject to a minimum redemption or revolvment period of 5 or more, but less than 7 years.

⁴ Equities subject to a minimum redemption or revolvment period of 5 or more years.

Interdependency of the Banks and the Associations

Understanding the System's structure and the interdependent nature of the Banks and the Associations is critical to understanding our capital adequacy.

As previously discussed, each Bank is primarily liable for the repayment of Systemwide Debt Securities issued on its behalf, as well as being liable for Systemwide Debt Securities issued on behalf of the other Banks. The Banks, through the issuance of Systemwide Debt Securities, generally finance the wholesale loans to their affiliated Associations who lend the proceeds to their customers. CoBank, as an Agricultural Credit Bank, makes loans to agricultural and rural infrastructure cooperatives and businesses, and other eligible borrowers, as well as Associations. Each Bank's ability to repay Systemwide Debt Securities is due, in large part, to each of its Association's ability to repay its loan from the Bank. As a result, the Banks continually monitor the risk-bearing capabilities of each affiliated Association

through various mechanisms, including testing the reliability of each Association's credit classifications and prior-approval of certain Association loan transactions. Capital, allowance for credit losses on loans and earnings at the Association level also reduce the credit exposure that each Bank has with respect to the loans between the Bank and its affiliated Associations.

Since an Association's ability to obtain funds from sources other than its affiliated Bank is significantly limited, the financial well-being of the Bank and its ability to continue to provide funds is very important to the Association. In addition to the equity the Associations are required to purchase in connection with their direct loans from their affiliated Bank, under each Bank's bylaws, the Bank is authorized, under certain circumstances, to require its affiliated Associations and certain other equity holders to purchase additional Bank equity subject to certain limits or conditions. Further, the Banks generally possess indirect access to certain financial resources of their affiliated Associations through loan-pricing provisions and through Bank-influenced operating and

financing policies and agreements for its District. (See Notes 8 and 14 to the accompanying condensed combined financial statements for further discussion of Bank and Association capital.)

Notwithstanding the foregoing, only the Banks, and not the Associations, are jointly and severally liable for the repayment of Systemwide Debt Securities. Other than as described above, and subject to various regulatory and contractual conditions and limitations, the Banks do not have direct access to the capital of their affiliated Associations. In addition, any indirect access that the Banks may have to the capital of the Associations may be limited during stressed conditions in a deteriorating agricultural economic environment. Moreover, capital in one Association is not typically available to address capital needs of another Association or of a non-affiliated Bank.

Insurance Fund

An additional layer of protection for Systemwide Debt Security holders is the Insurance Fund that insures the timely payment of principal and interest on these securities.

The primary sources of funds for the Insurance Fund are:

- premiums paid by the Banks, the cost of which may be passed on to the Associations, and
- earnings on assets in the Insurance Fund.

In the event a Bank is unable to timely pay Systemwide Debt Securities for which the Bank is primarily liable, the Insurance Corporation must expend amounts in the Insurance Fund to the extent available to insure the timely payment of principal and interest on the debt obligations. However, because of other mandatory and discretionary uses of the Insurance Fund, all of which benefit the Banks and Associations, or the magnitude of the default, there is no assurance that amounts in the Insurance Fund will be available and sufficient to fund the timely payment of principal and interest on Systemwide Debt Securities in the event of a default by a Bank.

Due to the restricted use of funds in the Insurance Fund as set forth in the Farm Credit Act, the assets of the Insurance Fund have been included as a restricted asset and the capital of the Insurance Fund as restricted capital in the System's condensed combined financial statements. As of June 30, 2024, the assets in the Insurance Fund totaled \$7.637 billion. (See Note 6 to the accompanying condensed combined financial statements and the Supplemental Combining Information on pages F-56 and F-58 for condensed

combining statements of condition and income that illustrate the impact of including the Insurance Fund in the System's condensed combined financial statements.)

The Insurance Corporation assesses premiums to ensure the amounts in the Insurance Fund for which no specific use has been identified or designated are maintained at the "secure base amount." The Farm Credit Act requires the secure base amount to be maintained at 2% of aggregate outstanding insured debt (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of aggregate outstanding insured debt as the Insurance Corporation in its sole discretion determines to be actuarially sound. Insurance premiums are established by the Insurance Corporation with the objective of maintaining the secure base amount at the level required by the Farm Credit Act.

As required by the Farm Credit Act, if at the end of any calendar year, the aggregate amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to transfer the excess funds above the secure base, less the Insurance Corporation's projected annual operating expenses and estimated insurance obligations, to the Allocated Insurance Reserves Accounts for each Bank. At December 31, 2023, the Insurance Fund exceeded the secure base amount by \$123 million (after deduction of prospective operating expenses for 2024) and the excess was transferred to the Allocated Insurance Reserves Accounts. In April 2024, the Insurance Corporation's board of directors approved and distributed the \$123 million of excess funds to System institutions.

At June 30, 2024, as determined by the Insurance Corporation, the Insurance Fund for which no specific use has been identified or designated was 2.06% of adjusted insured obligations, as compared with 2.00% at December 31, 2023. The Insurance Fund with the allocated amount was 2.03% of the adjusted insured obligations at December 31, 2023. No amounts were allocated as of June 30, 2024.

Joint and Several Liability

The provisions of joint and several liability of the Banks with respect to Systemwide Debt Securities would be invoked if the available amounts in the Insurance Fund were exhausted. Once joint and several liability is triggered, the Farm Credit Administration 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 the aggregate of the Bank's 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. On making a call

on non-defaulting Banks with respect to a Systemwide Debt Security issued on behalf of a defaulting Bank, the Farm Credit Administration is required to appoint the Insurance Corporation as the receiver for the defaulting Bank, and the receiver must expeditiously liquidate the Bank.

System Capitalization

The changes in capital for the six months ended June 30, 2024 are as follows:

	Capital				
	Combined Banks	Combined Associations	Insurance Fund	Combination Entries	System Combined
	(in millions)				
Balance at December 31, 2023	\$ 22,830	\$ 53,154	\$ 7,458	\$ (10,113)	\$ 73,329
Net income	1,416	3,110	302	(905)	3,923
Change in accumulated other comprehensive loss	118	(18)		22	122
Preferred stock issued, net	594	8			602
Preferred stock retired	(250)	(3)			(253)
Preferred stock dividends	(87)	(19)			(106)
Capital stock and participation certificates issued	193	57		(188)	62
Capital stock, participation certificates and retained earnings retired	(92)	(61)		53	(100)
Insurance Corporation distributions to System institutions			(123)	123	
Patronage	(559)	(694)		520	(733)
Balance at June 30, 2024	<u>\$ 24,163</u>	<u>\$ 55,534</u>	<u>\$ 7,637</u>	<u>\$ (10,488)</u>	<u>\$ 76,846</u>

Note: System combined capital reflected eliminations of approximately \$9.2 billion and \$9.1 billion of Bank equities held by Associations as of June 30, 2024 and December 31, 2023. System combined capital also reflected net eliminations of transactions between System entities, primarily related to accruals, and retained earnings allocations by certain Banks to their Associations. (See Notes 8 and 14 to the accompanying condensed combined financial statements.)

During the first six months of 2024, two Banks issued preferred stock totaling \$600 million, while another Bank retired \$250 million of preferred stock. (See Note 8 of the accompanying condensed combined financial statements for additional information.)

Preferred stock is the sole obligation of the issuing entity and is not guaranteed by any other System institution. Such obligations are not Systemwide Debt Securities and therefore are not subject to the joint and several obligations of the Banks and are not guaranteed or insured by the Insurance Fund.

Combined Bank-only information is considered meaningful because only the Banks are jointly and severally liable for payment of principal and interest on Systemwide Debt Securities. Amounts in the Insurance Fund are included in the System's combined financial statements because, under the Farm Credit Act, these amounts can only be used for the benefit of the Banks and Associations. Before joint and several

liability can be invoked, available amounts in the Insurance Fund would be used to make principal and interest payments on Systemwide Debt Securities. Combined Bank capital and the Insurance Fund increased \$1.512 billion since December 31, 2023 to \$31.800 billion at June 30, 2024, primarily due to income earned and retained. Combined Bank-only capital as a percentage of combined Bank-only assets was 5.3% at June 30, 2024 and 5.0% at December 31, 2023.

Combined Bank-only net income was \$1.416 billion and \$1.276 billion for the six months ended June 30, 2024 and 2023. The combined Bank-only net income reflects the earnings from investments, Bank wholesale loans to Associations, and retail loans, the majority of which consist of CoBank's loans to cooperatives and other eligible borrowers and loans to finance agricultural export transactions. The Banks' wholesale loans to Associations represented 56% of the assets on the combined Bank-only balance sheet at June 30, 2024,

as compared with 55% at December 31, 2023. These loans carry less risk than retail loans because the Associations operate under General Financing Agreements with their affiliated Banks and a regulatory framework that includes maintaining certain minimum capital standards, adequate reserves, and prudent underwriting standards. Based on the lower risk of loans to the Associations, the Banks typically operate with more leverage and lower earnings than would be expected from a retail bank.

Combined Association capital increased \$2.380 billion since December 31, 2023 to \$55.534 billion at June 30, 2024. The growth in Association capital resulted primarily from income earned and retained. Combined Association capital as a percentage of combined Association assets was 17.4% at June 30, 2024 and 17.2% at December 31, 2023. Capital at the Association level reduces the Banks' credit exposure with respect to wholesale loans between the Banks and each of their affiliated Associations.

Accumulated other comprehensive loss, net of tax, at June 30, 2024 and December 31, 2023 was comprised of the following components:

	June 30, 2024	December 31, 2023
	(in millions)	
Unrealized losses on investments available-for-sale, net	\$ (3,764)	\$ (3,632)
Unrealized gains on cash flow hedges, net	304	72
Pension and other benefit plans	(935)	(957)
	<u>\$ (4,395)</u>	<u>\$ (4,517)</u>

Accumulated other comprehensive loss decreased \$122 million during the first six months of 2024 as a result of an increase in interest rates, which increased the fair value of cash flow hedges, while decreasing the fair value of existing fixed-rate investment securities. Investment securities are primarily comprised of securities issued by the U.S. government or its agencies.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events, including the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and the risk of fraud by employees or persons outside the System.

Each Bank's and Association's board of directors is required, by regulation, to adopt an internal control policy that provides adequate direction to the institution in establishing effective control over and accountability for operations, programs and resources. The policy must include, at a minimum, the following items:

- direction to management that assigns responsibility for the internal control function to an officer of the institution,
- adoption of internal audit and control procedures,
- direction for the operation of a program to review and assess its assets,
- adoption of loan, loan-related assets and appraisal review standards, including standards for scope of review selection and work papers and supporting documentation,
- adoption of asset quality classification standards,
- adoption of standards for assessing credit administration, including the appraisal of collateral, and
- adoption of standards for the training required to initiate a program.

In general, System institutions address operational risk through the organization's internal control framework. Exposure to operational risk is typically identified by senior management with the assistance of internal audit, and higher risk areas receive more scrutiny.

However, no control system, no matter how well designed and operated, can provide absolute assurance that the objectives of the control systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or errors can be detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and the breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by individual acts, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part on certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may be inadequate because of changes in conditions, or the

compliance with the policies or procedures may deteriorate.

Reputational Risk Management

Reputation risk is defined as the negative impact resulting from events, real or perceived, that shape the image of the System or any of its entities. The System could be harmed if its reputation were impacted by negative publicity about the System as a whole, an individual System entity, the agricultural industry in general, or government sponsored enterprises.

Given the unique structure of the System, managing reputational risk is the direct responsibility of each System entity. (See “Structural Risk Management” on page 17 of this Quarterly Information Statement for a discussion on the structure of the System).

Committees or entities that serve the System at the national level, including the Presidents’ Planning Committee and The Farm Credit Council, will communicate guidance to the System for reputational issues that have broader consequences for the System as a whole. These committees and entities support those business and other practices that are consistent with our mission. (See pages 12 and 15 in the *2023 Annual Information Statement* for additional information).

Political Risk Management

Political risk to the System is the risk that actions taken by the U.S. government may negatively impact the System or the agriculture industry. System institutions are instrumentalities of the federal government and are intended to further governmental policy concerning the extension of credit to or for the benefit of agriculture and rural America. The System may be significantly affected by federal legislation, such as changes to the Farm Credit Act, or indirectly, such as agricultural appropriations bills. In addition, our borrowers may also be significantly affected by changes in federal farm policy, agricultural appropriations bills and U.S. trade and tax policies.

We manage political risk by actively supporting The Farm Credit Council, which is a full-service, federated trade association located in Washington, D.C. representing the System before Congress, the Executive Branch, and others. The Farm Credit Council provides the mechanism for grassroots involvement in the development of System positions and policies with respect to federal legislation and government actions that impact the System. In addition, each District has a District Farm Credit Council that is a regional trade association dedicated

to promoting the interests of cooperative farm lending institutions and their borrowers in their respective Districts.

Regulatory Matters

On February 8, 2024, the Farm Credit Administration approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) exposures by assigning a 150% risk-weighting to such exposures, instead of the current 100% to reflect their increased risk characteristics. The rule further ensures comparability between the Farm Credit Administration’s risk-weightings and the federal banking regulators, with deviations as appropriate to accommodate the different regulatory, operational and credit considerations of the System. The final rule excludes certain acquisition, development and construction loans that do not present as much risk and therefore do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated for less than \$500,000. The final rule will become effective on January 1, 2025.

On October 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 institution board reporting requirements. The final rule will become effective on January 1, 2025.

Recently Adopted or Issued Accounting Pronouncements

See pages F-8 and F-9 to the accompanying condensed combined financial statements for the recently adopted or issued accounting pronouncements.

**INDEX TO CONDENSED COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTAL COMBINING AND FINANCIAL INFORMATION
June 30, 2024**

	Page
Condensed Combined Statement of Condition	F-2
Condensed Combined Statement of Income	F-3
Condensed Combined Statement of Comprehensive Income	F-4
Condensed Combined Statement of Changes in Capital	F-5
Condensed Combined Statement of Cash Flows	F-6
Notes to Condensed Combined Financial Statements	F-8
Supplemental Combining Information	F-56
Supplemental Financial Information	F-63

FARM CREDIT SYSTEM
CONDENSED COMBINED STATEMENT OF CONDITION
(in millions)

	June 30, 2024	December 31, 2023
	(unaudited)	
A S S E T S		
Cash	\$ 2,576	\$ 3,760
Federal funds sold and securities purchased under resale agreements	4,781	7,462
Investments (Note 2)		
Available-for-sale (amortized cost of \$79,604 and \$79,300, respectively)	75,749	75,563
Other investments held-to-maturity (fair value of \$5,642 and \$4,509, respectively)	5,756	4,594
Other investments available-for-sale (amortized cost of \$2,201 and \$2,147, respectively)	2,141	2,108
Loans (Note 3)	406,659	398,176
Less: allowance for credit losses on loans (Note 4)	(1,636)	(1,617)
Net loans	405,023	396,559
Accrued interest receivable	4,832	4,726
Premises and equipment	1,934	1,865
Other assets (Note 5)	3,632	3,741
Restricted assets (Note 6)	7,637	7,458
Total assets	<u>\$ 514,061</u>	<u>\$ 507,836</u>
LIABILITIES AND CAPITAL		
Systemwide Debt Securities		
Due within one year:		
Systemwide discount notes	\$ 13,443	\$ 19,124
Systemwide bonds and medium-term notes	136,799	129,242
	150,242	148,366
Due after one year:		
Systemwide bonds and medium-term notes	270,427	267,167
Total Systemwide Debt Securities (Note 7)	420,669	415,533
Subordinated debt	398	398
Other bonds	5,998	6,288
Notes payable and other interest-bearing liabilities	1,688	1,557
Accrued interest payable	3,131	2,869
Other liabilities (Note 5)	5,331	7,862
Total liabilities	437,215	434,507
Commitments and contingencies (Note 13)		
Capital (Note 8)		
Preferred stock	3,682	3,327
Capital stock and participation certificates	2,151	2,141
Additional paid-in-capital	7,286	7,286
Restricted capital (Note 6)	7,637	7,458
Accumulated other comprehensive loss, net of tax	(4,395)	(4,517)
Retained earnings	60,485	57,634
Total capital	76,846	73,329
Total liabilities and capital	<u>\$ 514,061</u>	<u>\$ 507,836</u>

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

FARM CREDIT SYSTEM
CONDENSED COMBINED STATEMENT OF INCOME
(in millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	(unaudited)			
Interest income				
Investments, Federal funds sold and securities purchased under resale agreements	\$ 955	\$ 900	\$ 1,876	\$ 1,618
Loans	6,379	5,529	12,642	10,758
Total interest income	7,334	6,429	14,518	12,376
Interest expense				
Systemwide bonds and medium-term notes	4,066	3,167	7,963	5,970
Systemwide discount notes	193	313	405	566
Other interest-bearing liabilities	126	130	255	241
Total interest expense	4,385	3,610	8,623	6,777
Net interest income	2,949	2,819	5,895	5,599
Provision for credit losses	119	171	159	407
Net interest income after provision for credit losses	2,830	2,648	5,736	5,192
Noninterest income				
Loan-related fee income	142	113	250	218
Income earned on Insurance Fund assets	62	38	119	70
Financially-related services income	51	54	107	108
Losses on extinguishment of debt	(2)	(3)	(7)	(5)
Net (losses) gains on derivative, investment and other transactions	(1)	(15)	(9)	7
Other income	17	44	53	89
Total noninterest income	269	231	513	487
Noninterest expense				
Salaries and employee benefits	687	638	1,367	1,273
Occupancy and equipment expense	86	84	175	167
Purchased services	79	75	147	143
Other expense	270	257	522	499
Total noninterest expense	1,122	1,054	2,211	2,082
Income before income taxes	1,977	1,825	4,038	3,597
Provision for income taxes	49	41	115	91
Net income	<u>\$ 1,928</u>	<u>\$ 1,784</u>	<u>\$ 3,923</u>	<u>\$ 3,506</u>

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

FARM CREDIT SYSTEM
CONDENSED COMBINED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	(unaudited)			
Net income	\$ 1,928	\$ 1,784	\$ 3,923	\$ 3,506
Other comprehensive income (loss), net of tax:				
Change in unrealized gains/losses on investments available-for-sale, including reclassification adjustments	89	(601)	(132)	67
Change in unrealized gains/losses on cash flow hedges, including reclassification adjustments	45	169	232	40
Change in net periodic pension benefit cost, including reclassification adjustments	19	25	22	52
Total other comprehensive income (loss)	153	(407)	122	159
Comprehensive income	<u>\$ 2,081</u>	<u>\$ 1,377</u>	<u>\$ 4,045</u>	<u>\$ 3,665</u>

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

FARM CREDIT SYSTEM
CONDENSED COMBINED STATEMENT OF CHANGES IN CAPITAL
(in millions)

	For the Six Months Ended June 30						
	Preferred Stock	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Restricted Capital Farm Credit Insurance Fund	Accumulated Other Comprehensive Loss, Net of Tax	Retained Earnings	Total Capital
	(unaudited)						
Balance at December 31, 2022	\$ 3,416	\$ 2,134	\$ 4,597	\$ 6,673	\$ (5,492)	\$ 57,273	\$ 68,601
Adjustment to beginning balance due to the change in accounting for credit losses					4	151	155
Balance at January 1, 2023	3,416	2,134	4,597	6,673	(5,488)	57,424	68,756
Comprehensive income					159	3,506	3,665
Transfer of Insurance Fund premiums and other income from retained earnings to restricted capital				377		(377)	
Preferred stock retired by Banks	(8)						(8)
Preferred stock issued by Associations	16						16
Preferred stock dividends						(100)	(100)
Capital stock and participation certificates issued		52					52
Capital stock and participation certificates retired		(145)					(145)
Equity issued or recharacterized upon Association mergers		9	2,397				2,406
Equity retired or recharacterized upon Association mergers		(9)				(2,752)	(2,761)
Recharacterization of other comprehensive loss due to fair value adjustments related to the Association mergers					51		51
Patronage:							
Cash						(769)	(769)
Capital stock, participation certificates and retained earnings allocations		52				(52)	
Balance at June 30, 2023	<u>\$ 3,424</u>	<u>\$ 2,093</u>	<u>\$ 6,994</u>	<u>\$ 7,050</u>	<u>\$ (5,278)</u>	<u>\$ 56,880</u>	<u>\$ 71,163</u>
Balance at December 31, 2023	\$ 3,327	\$ 2,141	\$ 7,286	\$ 7,458	\$ (4,517)	\$ 57,634	\$ 73,329
Comprehensive income					122	3,923	4,045
Transfer of Insurance Fund premiums and other income from retained earnings to restricted capital				302		(302)	
Insurance Corporation distributions to System institutions				(123)		123	
Preferred stock issued by Banks	600					(6)	594
Preferred stock retired by Banks	(250)						(250)
Preferred stock issued by Associations	8						8
Preferred stock retired by Associations	(3)						(3)
Preferred stock dividends						(106)	(106)
Capital stock and participation certificates issued		62					62
Capital stock and participation certificates retired		(100)					(100)
Patronage:							
Cash						(733)	(733)
Capital stock, participation certificates and retained earnings allocations		48				(48)	
Balance at June 30, 2024	<u>\$ 3,682</u>	<u>\$ 2,151</u>	<u>\$ 7,286</u>	<u>\$ 7,637</u>	<u>\$ (4,395)</u>	<u>\$ 60,485</u>	<u>\$ 76,846</u>

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

FARM CREDIT SYSTEM
CONDENSED COMBINED STATEMENT OF CASH FLOWS
(in millions)

	For the Six Months Ended June 30,	
	2024	2023
	(unaudited)	
Cash flows from operating activities		
Net income	\$ 3,923	\$ 3,506
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	159	407
Depreciation and amortization on premises and equipment	101	94
Net losses (gains) on derivative, investment and other transactions	9	(7)
Increase in accrued interest receivable	(106)	(332)
Increase in accrued interest payable	262	612
Other, net	(59)	(25)
Net cash provided by operating activities	<u>4,289</u>	<u>4,255</u>
Cash flows from investing activities		
Increase in loans, net	(8,819)	(4,881)
Decrease (increase) in Federal funds sold and securities purchased under resale agreements, net	2,681	(999)
Investments available-for-sale:		
Purchases	(10,353)	(11,772)
Proceeds from maturities and payments	9,774	10,645
Proceeds from sales	475	548
Other investments held-to-maturity:		
Purchases	(1,651)	(1,519)
Proceeds from maturities and payments	449	248
Other investments available-for-sale:		
Purchases	(298)	(700)
Proceeds from maturities and payments	244	427
Increase in investments held in the Insurance Fund, net	(626)	(645)
Distributions by Insurance Fund to System institutions	123	
Other, net	(56)	(126)
Net cash used in investing activities	<u>(8,057)</u>	<u>(8,774)</u>
Cash flows from financing activities		
Systemwide bonds issued	82,580	74,154
Systemwide bonds and medium-term notes retired	(71,717)	(62,650)
Systemwide discount notes issued	66,382	65,940
Systemwide discount notes retired	(72,067)	(71,348)
Other bonds (retired) issued, net	(290)	974
Increase (decrease) in notes payable and other interest-bearing liabilities, net	131	(408)
Increase (decrease) in collateral held from derivative counterparties	20	(173)
Preferred stock issued by Banks	594	
Preferred stock retired by Banks		(8)
Preferred stock issued by Associations	8	16
Preferred stock retired by Associations	(3)	
Capital stock and participation certificates issued	62	52
Capital stock, participation certificates and retained earnings retired	(132)	(175)
Preferred stock dividends paid	(92)	(103)
Cash patronage paid	(2,892)	(2,838)
Net cash provided by financing activities	<u>2,584</u>	<u>3,433</u>
Net decrease in cash	<u>(1,184)</u>	<u>(1,086)</u>
Cash at beginning of period	<u>3,760</u>	<u>3,470</u>
Cash at end of period	<u><u>\$ 2,576</u></u>	<u><u>\$ 2,384</u></u>

FARM CREDIT SYSTEM
CONDENSED COMBINED STATEMENT OF CASH FLOWS - (continued)
(in millions)

	For the Six Months Ended June 30,	
	2024	2023
	(unaudited)	
Supplemental schedule of non-cash investing and financing activities:		
Loans transferred to other property owned	\$ 187	\$ 6
Patronage and dividends distributions payable	942	944
Investments available-for-sale purchased but not yet settled, net	(55)	(59)
Preferred stock retired by Banks	(250)	
Supplemental non-cash fair value changes related to hedging activities:		
(Decrease) increase in Systemwide bonds and medium-term notes	(53)	103
Other, net	165	97
Supplemental disclosure of cash flow information:		
Cash paid during the six months for:		
Interest	8,261	5,815
Taxes	107	38

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

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS
(unaudited)
(dollars in millions, except as noted)

**NOTE 1 — ORGANIZATION AND
SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Farm Credit System (System) condensed combined financial statements include financial information of: (1) three Farm Credit Banks (AgFirst Farm Credit Bank; AgriBank, FCB; and Farm Credit Bank of Texas) and their affiliated Associations, (2) one Agricultural Credit Bank (CoBank, ACB) and its affiliated Associations, (3) the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and (4) various service and other organizations. Substantially all Associations are structured as Agricultural Credit Associations (ACA) parent companies, with Federal Land Credit Associations (FLCA) and Production Credit Associations (PCA) subsidiaries. ACA parent companies provide financing and related services to customers through their FLCA and PCA subsidiaries. Generally, FLCAs make long-term loans secured by agricultural real estate or rural home loans. PCAs make short- and intermediate-term loans for agricultural production or operating purposes.

The accompanying unaudited condensed combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, these statements should be read in conjunction with the audited combined financial statements for the year ended December 31, 2023, contained in the System's *2023 Annual Information Statement*, as these statements do not include all of the disclosures required by GAAP for annual financial statements.

The accompanying condensed combined financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operation of the System. All significant intra-System transactions and balances have been eliminated in combination. Certain amounts in prior years' combined financial statements have been reclassified to conform to the current year presentation.

A more complete description of System institutions, the significant accounting policies followed by System entities, and the System's combined financial condition and combined results of operations as of and for the year ended December 31,

2023 are contained in the *2023 Annual Information Statement*.

**Recently Adopted or Issued Accounting
Pronouncements**

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The enhanced rate reconciliation will require tabular reporting by amount and percentage for specifically defined reconciling items as well as additional information for reconciling items that meet a quantitative threshold of greater than five percent of the amount computed by multiplying pre-tax income by the applicable statutory income tax rate. Income taxes paid will require disaggregated disclosure by federal, state and foreign jurisdictions for amounts exceeding a quantitative threshold of greater than five percent of total income taxes paid. The guidance will also eliminate the requirement to disclose an estimate of the range of the reasonably possible change in the unrecognized tax benefits balances in the next 12 months. The amendments in this guidance are effective for public business entities for annual periods beginning after December 15, 2024 and should be applied on a prospective basis, although retrospective application is permitted. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. The adoption of this guidance is not expected to have a material impact on the System's financial condition, results of operations or cash flows.

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

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

- 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 System is currently assessing the potential impact of this standard on its disclosures.

NOTE 2 — INVESTMENTS

Available-for-Sale

The following is a summary of available-for-sale investments held by the Banks for maintaining a liquidity reserve, managing short-term surplus funds and managing interest rate risk:

June 30, 2024					
	Amortized Cost ¹	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Commercial paper, bankers' acceptances, certificates of deposit and other securities....	\$ 9,701	\$ 1	\$ (22)	\$ 9,680	5.62%
U.S. Treasury securities	21,212	14	(540)	20,686	3.36
U.S. agency securities	2,559	7	(97)	2,469	3.41
Mortgage-backed securities	39,557	31	(2,798)	36,790	3.82
Asset-backed securities	6,575	9	(460)	6,124	3.99
Total	<u>\$ 79,604</u>	<u>\$ 62</u>	<u>\$ (3,917)</u>	<u>\$ 75,749</u>	3.92

December 31, 2023					
	Amortized Cost ¹	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Commercial paper, bankers' acceptances, certificates of deposit and other securities....	\$ 11,544	\$ 1	\$ (23)	\$ 11,522	5.69%
U.S. Treasury securities	20,811	36	(551)	20,296	3.00
U.S. agency securities	2,471	17	(78)	2,410	3.36
Mortgage-backed securities	37,724	29	(2,752)	35,001	3.67
Asset-backed securities	6,750	15	(431)	6,334	3.99
Total	<u>\$ 79,300</u>	<u>\$ 98</u>	<u>\$ (3,835)</u>	<u>\$ 75,563</u>	3.81

¹ Amortized cost is presented net of applicable ACL of \$2 million at June 30, 2024 and \$3 million at December 31, 2023.

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

A summary of the fair value and amortized cost of investments available-for-sale at June 30, 2024 by contractual maturity is as follows:

	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	
	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
Commercial paper, bankers' acceptances, certificates of deposit and other securities	\$ 9,261		\$ 382		\$ 37				\$ 9,680	5.62%
U.S. Treasury securities ..	6,388		12,249		2,049				20,686	3.36
U.S. agency securities	77		998		1,371		\$ 23		2,469	3.41
Mortgage-backed securities	391		6,711		14,213		15,475		36,790	3.82
Asset-backed securities ..			1,032		2,662		2,430		6,124	3.99
Total fair value	<u>\$16,117</u>	4.51%	<u>\$21,372</u>	3.52%	<u>\$20,332</u>	4.53%	<u>\$17,928</u>	3.19%	<u>\$75,749</u>	3.92
Total amortized cost	<u>\$16,194</u>		<u>\$22,182</u>		<u>\$21,038</u>		<u>\$20,190</u>		<u>\$79,604</u>	

A large portion of mortgage-backed securities have contractual maturities in excess of ten years. However, expected and actual maturities for mortgage-backed securities will typically be shorter

than contractual maturities because borrowers generally have the right to prepay the underlying mortgage obligations with or without prepayment penalties.

Other Investments Held-to-Maturity

The Banks and Associations may hold other investments for managing risk. The following is a summary of other investments held-to-maturity:

	June 30, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	\$ 3,588	\$ 14	\$ (109)	\$ 3,493	5.61%
Asset-backed securities	2,139	11	(29)	2,121	6.24
Other securities	29	1	(2)	28	6.16
Total	<u>\$ 5,756</u>	<u>\$ 26</u>	<u>\$ (140)</u>	<u>\$ 5,642</u>	5.85

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities	\$ 2,625	\$ 16	\$ (82)	\$ 2,559	5.15%
Asset-backed securities	1,939	11	(29)	1,921	5.79
Other securities	30		(1)	29	6.23
Total	<u>\$ 4,594</u>	<u>\$ 27</u>	<u>\$ (112)</u>	<u>\$ 4,509</u>	5.43

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

A summary of the fair value and amortized cost of other investments held-to-maturity at June 30, 2024 by contractual maturity is as follows:

	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	
	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
Mortgage-backed securities	\$ 8		\$ 53		\$ 13		\$ 3,514		\$ 3,588	5.61%
Asset-backed securities			66		1,152		921		2,139	6.24
Other securities			3				26		29	6.16
Total amortized cost	<u>\$ 8</u>	7.33%	<u>\$ 122</u>	6.48%	<u>\$ 1,165</u>	6.23%	<u>\$ 4,461</u>	5.73%	<u>\$ 5,756</u>	5.85
Total fair value	<u>\$ 8</u>		<u>\$ 122</u>		<u>\$ 1,158</u>		<u>\$ 4,354</u>		<u>\$ 5,642</u>	

Other Investments Available-for-Sale

The following is a summary of other investments available-for-sale:

	June 30, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
U.S. Treasury securities	\$ 1,858		\$ (40)	\$ 1,818	3.51%
Mortgage-backed securities	131		(18)	113	2.87
Asset-backed securities	196	\$ 1		197	8.17
Other securities	16		(3)	13	5.37
Total	<u>\$ 2,201</u>	<u>\$ 1</u>	<u>\$ (61)</u>	<u>\$ 2,141</u>	3.92

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
U.S. Treasury securities	\$ 1,798	\$ 5	\$ (27)	\$ 1,776	2.66%
Mortgage-backed securities	139		(15)	124	2.93
Asset-backed securities	189	1		190	8.22
Other securities	21		(3)	18	5.86
Total	<u>\$ 2,147</u>	<u>\$ 6</u>	<u>\$ (45)</u>	<u>\$ 2,108</u>	3.20

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

A summary of the fair value and amortized cost of other investments available-for-sale at June 30, 2024 by contractual maturity is as follows:

	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	
	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield
U.S. Treasury securities	\$ 487		\$ 1,037		\$ 294				\$ 1,818	3.51%
Mortgage-backed securities			7				\$ 106		113	2.87
Asset-backed securities			4		43		150		197	8.17
Other securities	5						8		13	5.37
Total fair value	<u>\$ 492</u>	5.22%	<u>\$ 1,048</u>	2.68%	<u>\$ 337</u>	4.49%	<u>\$ 264</u>	5.70%	<u>\$ 2,141</u>	3.92
Total amortized cost	<u>\$ 496</u>		<u>\$ 1,080</u>		<u>\$ 342</u>		<u>\$ 283</u>		<u>\$ 2,201</u>	

Impaired Investments Evaluation

The following tables show the gross unrealized losses and fair value of the System's available-for-sale investment securities that have been in a continuous unrealized loss position. An investment is considered

impaired if its fair value is less than its cost. The continuous loss position is based on the date the impairment was first identified.

<u>June 30, 2024</u>	Less Than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Commercial paper, bankers' acceptances, certificates of deposit and other securities	\$ 7,529	\$ (3)	\$ 463	\$ (22)
U.S. Treasury securities	6,908	(38)	10,597	(542)
U.S. agency securities	516	(8)	1,516	(89)
Mortgage-backed securities	3,605	(24)	27,379	(2,792)
Asset-backed securities	1,235	(4)	3,853	(456)
Total	<u>\$ 19,793</u>	<u>\$ (77)</u>	<u>\$ 43,808</u>	<u>\$ (3,901)</u>

<u>December 31, 2023</u>	Less Than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Commercial paper, bankers' acceptances, certificates of deposit and other securities	\$ 7,859	\$ (3)	\$ 591	\$ (23)
U.S. Treasury securities	2,697	(13)	12,545	(565)
U.S. agency securities	375	(1)	1,382	(77)
Mortgage-backed securities	5,226	(34)	26,186	(2,733)
Asset-backed securities	1,754	(13)	2,992	(418)
Total	<u>\$ 17,911</u>	<u>\$ (64)</u>	<u>\$ 43,696</u>	<u>\$ (3,816)</u>

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

As more fully discussed in Note 2 — Summary of Significant Accounting Policies in the *2023 Annual Information Statement*, the Banks and Associations evaluate investment securities with unrealized losses for impairment on a quarterly basis. As part of the assessment, the Banks and Associations evaluated and concluded that they do not intend to sell the security or it is more likely than not that they would be required to sell the security, prior to recovery of the amortized cost basis. The Banks and Associations also evaluate whether credit impairment exists by comparing the present value of the expected cash flows to the securities amortized cost basis. Credit impairment, if any, is recorded as an ACL for debt securities. At June 30, 2024, Banks and Associations do not consider unrealized losses on U.S. Treasury, U.S. agency and mortgage-backed securities to be credit-related and therefore an ACL is not necessary.

NOTE 3 — LOANS

The System is limited by statute to providing credit and related services to farmers, ranchers, producers and harvesters of aquatic products, rural homeowners, certain farm-related businesses, agricultural and aquatic cooperatives (or to other entities for the benefit of the cooperatives) and their customers, rural infrastructure, other eligible borrowers, and entities engaging in certain agricultural export finance transactions.

Loans outstanding consisted of the following:

	June 30, 2024	December 31, 2023
Real estate mortgage	\$ 181,343	\$ 177,622
Production and intermediate-term*	77,393	78,090
Agribusiness	74,932	70,960
Rural infrastructure	56,255	54,457
Rural residential real estate	7,355	7,227
Other**	9,381	9,820
Total loans	<u>\$ 406,659</u>	<u>\$ 398,176</u>

* Includes lease receivables.

** Includes agricultural export finance loans and loans to other financing institutions.

Banks and Associations may purchase and sell loan participations with other System institutions or non-System lenders to diversify risk, manage loan volume or comply with the limitations of Farm Credit Administration regulations. Purchases and sales among System institutions are not captured in the following table as they offset one another in combination.

The table presents information regarding outstanding balances of loan participations purchased from non-System lenders:

	June 30, 2024	December 31, 2023
Real estate mortgage	\$ 7,006	\$ 6,739
Production and intermediate-term	8,110	8,129
Agribusiness	1,944	1,647
Rural residential real estate	243	311
Total loans	<u>\$ 17,303</u>	<u>\$ 16,826</u>

Outstanding balances of loan participations sold to non-System lenders at June 30, 2024 and December 31, 2023 were considered not significant to the overall portfolio.

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our outstanding loans, letters of credit and unfunded loan commitments. System institutions manage credit risk associated with their retail lending activities through an analysis of the credit risk profile of an individual borrower. Each Bank and Association has its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, each institution that makes loans on a secured basis must have collateral

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage.

System institutions use a two-dimensional loan risk rating model based on internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is management's assumption of the probability that a borrower will experience a default during the life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's assumption of the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. System institutions review, at least on an annual basis, or when a credit action is taken, the probability of default category.

Each of the probability of default rating categories carries a distinct percentage of default probability. The probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain.

These categories are defined as follows:

- acceptable — assets are expected to be fully collectible and represent the highest quality,
- other assets especially mentioned (OAEM) — assets are currently collectible but exhibit some potential weakness,
- substandard — assets exhibit some serious weakness in repayment capacity, equity, 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, and
- loss — assets are considered uncollectible.

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

The following table presents credit quality indicators by loan type at June 30, 2024:

Term Loans at Amortized Cost by Origination Year									
	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans	Total
Real estate mortgage									
Acceptable	\$ 11,785	\$ 19,559	\$ 23,597	\$ 30,648	\$ 24,511	\$ 58,873	\$ 4,233	\$ 510	\$ 173,716
OAEM	147	424	442	506	736	1,457	145	32	3,889
Substandard/doubtful	71	231	628	433	424	1,643	264	44	3,738
Total	<u>\$ 12,003</u>	<u>\$ 20,214</u>	<u>\$ 24,667</u>	<u>\$ 31,587</u>	<u>\$ 25,671</u>	<u>\$ 61,973</u>	<u>\$ 4,642</u>	<u>\$ 586</u>	<u>\$ 181,343</u>
Gross charge-offs			\$ 3			\$ 15			\$ 18
Production and intermediate-term									
Acceptable	\$ 7,206	\$ 9,809	\$ 7,629	\$ 4,958	\$ 3,024	\$ 5,023	\$ 34,495	\$ 206	\$ 72,350
OAEM	267	310	179	129	81	118	1,557	24	2,665
Substandard/doubtful	183	384	198	131	120	151	1,004	207	2,378
Total	<u>\$ 7,656</u>	<u>\$ 10,503</u>	<u>\$ 8,006</u>	<u>\$ 5,218</u>	<u>\$ 3,225</u>	<u>\$ 5,292</u>	<u>\$ 37,056</u>	<u>\$ 437</u>	<u>\$ 77,393</u>
Gross charge-offs	<u>\$ 1</u>	<u>\$ 6</u>	<u>\$ 9</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 29</u>	<u>\$ 15</u>	<u>\$ 1</u>	<u>\$ 65</u>
Agribusiness									
Acceptable	\$ 4,672	\$ 10,575	\$ 10,935	\$ 7,724	\$ 4,290	\$ 8,588	\$ 22,769	\$ 352	\$ 69,905
OAEM	21	200	554	442	203	186	825	7	2,438
Substandard/doubtful	81	213	382	305	404	311	864	29	2,589
Total	<u>\$ 4,774</u>	<u>\$ 10,988</u>	<u>\$ 11,871</u>	<u>\$ 8,471</u>	<u>\$ 4,897</u>	<u>\$ 9,085</u>	<u>\$ 24,458</u>	<u>\$ 388</u>	<u>\$ 74,932</u>
Gross charge-offs	<u>\$ 6</u>	<u>\$ 9</u>	<u>\$ 2</u>	<u>\$ 15</u>	<u>\$ 5</u>	<u>\$ 27</u>	<u>\$ 13</u>	<u>\$ 8</u>	<u>\$ 85</u>
Rural infrastructure									
Acceptable	\$ 4,455	\$ 12,746	\$ 9,674	\$ 6,219	\$ 3,867	\$ 13,951	\$ 3,871	\$ 57	\$ 54,840
OAEM	52	29	270	123	405	186	55		1,120
Substandard/doubtful		57	59		27	126	26		295
Total	<u>\$ 4,507</u>	<u>\$ 12,832</u>	<u>\$ 10,003</u>	<u>\$ 6,342</u>	<u>\$ 4,299</u>	<u>\$ 14,263</u>	<u>\$ 3,952</u>	<u>\$ 57</u>	<u>\$ 56,255</u>
Gross charge-offs						\$ 3			\$ 3
Rural residential real estate									
Acceptable	\$ 362	\$ 818	\$ 978	\$ 1,200	\$ 725	\$ 3,138	\$ 46		\$ 7,267
OAEM	1	2	2	2	1	17	1		26
Substandard/doubtful		1	4	5	4	48			62
Total	<u>\$ 363</u>	<u>\$ 821</u>	<u>\$ 984</u>	<u>\$ 1,207</u>	<u>\$ 730</u>	<u>\$ 3,203</u>	<u>\$ 47</u>	<u>\$ 0</u>	<u>\$ 7,355</u>
Gross charge-offs									\$ 0
Other									
Acceptable	\$ 748	\$ 1,031	\$ 373	\$ 210	\$ 120	\$ 103	\$ 6,777	\$ 19	\$ 9,381
OAEM									
Substandard/doubtful									
Total	<u>\$ 748</u>	<u>\$ 1,031</u>	<u>\$ 373</u>	<u>\$ 210</u>	<u>\$ 120</u>	<u>\$ 103</u>	<u>\$ 6,777</u>	<u>\$ 19</u>	<u>\$ 9,381</u>
Gross charge-offs									\$ 0
Total Loans									
Acceptable	\$ 29,228	\$ 54,538	\$ 53,186	\$ 50,959	\$ 36,537	\$ 89,676	\$ 72,191	\$ 1,144	\$ 387,459
OAEM	488	965	1,447	1,202	1,426	1,964	2,583	63	10,138
Substandard/doubtful	335	886	1,271	874	979	2,279	2,158	280	9,062
Total	<u>\$ 30,051</u>	<u>\$ 56,389</u>	<u>\$ 55,904</u>	<u>\$ 53,035</u>	<u>\$ 38,942</u>	<u>\$ 93,919</u>	<u>\$ 76,932</u>	<u>\$ 1,487</u>	<u>\$ 406,659</u>
Total gross charge-offs	<u>\$ 7</u>	<u>\$ 15</u>	<u>\$ 14</u>	<u>\$ 18</u>	<u>\$ 6</u>	<u>\$ 74</u>	<u>\$ 28</u>	<u>\$ 9</u>	<u>\$ 171</u>

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

The following table presents credit quality indicators by loan type at December 31, 2023:

	Term Loans at Amortized Cost by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans	Total
	2023	2022	2021	2020	2019	Prior			
Real estate mortgage									
Acceptable.....	\$ 20,252	\$ 24,940	\$ 32,023	\$ 25,684	\$ 13,145	\$ 50,122	\$ 4,391	\$ 502	\$ 171,059
OAEM.....	208	420	398	658	253	1,294	136	47	3,414
Substandard/doubtful.....	84	540	324	376	435	1,137	238	15	3,149
Total.....	<u>\$ 20,544</u>	<u>\$ 25,900</u>	<u>\$ 32,745</u>	<u>\$ 26,718</u>	<u>\$ 13,833</u>	<u>\$ 52,553</u>	<u>\$ 4,765</u>	<u>\$ 564</u>	<u>\$ 177,622</u>
Gross charge-offs.....	<u>\$ 1</u>	<u>\$ 5</u>		<u>\$ 1</u>	<u>\$ 7</u>	<u>\$ 5</u>			<u>\$ 19</u>
Production and intermediate-term									
Acceptable.....	\$ 13,144	\$ 9,170	\$ 5,857	\$ 3,874	\$ 2,174	\$ 3,443	\$ 35,875	\$ 306	\$ 73,843
OAEM.....	458	214	132	88	112	90	1,148	10	2,252
Substandard/doubtful.....	390	331	119	126	174	96	654	105	1,995
Total.....	<u>\$ 13,992</u>	<u>\$ 9,715</u>	<u>\$ 6,108</u>	<u>\$ 4,088</u>	<u>\$ 2,460</u>	<u>\$ 3,629</u>	<u>\$ 37,677</u>	<u>\$ 421</u>	<u>\$ 78,090</u>
Gross charge-offs.....	<u>\$ 17</u>	<u>\$ 34</u>	<u>\$ 6</u>	<u>\$ 4</u>	<u>\$ 81</u>	<u>\$ 9</u>	<u>\$ 56</u>	<u>\$ 11</u>	<u>\$ 218</u>
Agribusiness									
Acceptable.....	\$ 10,693	\$ 12,192	\$ 8,562	\$ 4,559	\$ 2,913	\$ 6,726	\$ 20,929	\$ 379	\$ 66,953
OAEM.....	98	318	417	191	40	114	489	18	1,685
Substandard/doubtful.....	166	241	235	393	117	284	857	29	2,322
Total.....	<u>\$ 10,957</u>	<u>\$ 12,751</u>	<u>\$ 9,214</u>	<u>\$ 5,143</u>	<u>\$ 3,070</u>	<u>\$ 7,124</u>	<u>\$ 22,275</u>	<u>\$ 426</u>	<u>\$ 70,960</u>
Gross charge-offs.....	<u>\$ 8</u>	<u>\$ 7</u>	<u>\$ 2</u>	<u>\$ 62</u>		<u>\$ 26</u>	<u>\$ 15</u>	<u>\$ 2</u>	<u>\$ 122</u>
Rural infrastructure									
Acceptable.....	\$ 11,811	\$ 10,087	\$ 6,612	\$ 4,806	\$ 2,903	\$ 12,513	\$ 4,107	\$ 50	\$ 52,889
OAEM.....	50	299	124	485	21	402	37		1,418
Substandard/doubtful.....	23	61		21	2	35	8		150
Total.....	<u>\$ 11,884</u>	<u>\$ 10,447</u>	<u>\$ 6,736</u>	<u>\$ 5,312</u>	<u>\$ 2,926</u>	<u>\$ 12,950</u>	<u>\$ 4,152</u>	<u>\$ 50</u>	<u>\$ 54,457</u>
Gross charge-offs.....	<u>\$ 6</u>	<u>\$ 1</u>		<u>\$ 6</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 1</u>		<u>\$ 17</u>
Rural residential real estate									
Acceptable.....	\$ 834	\$ 1,105	\$ 1,159	\$ 800	\$ 494	\$ 2,706	\$ 43		\$ 7,141
OAEM.....	2	2	2	2	1	15	1		25
Substandard/doubtful.....		4	5	4	4	44			61
Total.....	<u>\$ 836</u>	<u>\$ 1,111</u>	<u>\$ 1,166</u>	<u>\$ 806</u>	<u>\$ 499</u>	<u>\$ 2,765</u>	<u>\$ 44</u>	<u>\$ 0</u>	<u>\$ 7,227</u>
Gross charge-offs.....									<u>\$ 0</u>
Other									
Acceptable.....	\$ 971	\$ 433	\$ 222	\$ 150	\$ 15	\$ 98	\$ 7,912	\$ 19	\$ 9,820
OAEM.....									
Substandard/doubtful.....									
Total.....	<u>\$ 971</u>	<u>\$ 433</u>	<u>\$ 222</u>	<u>\$ 150</u>	<u>\$ 15</u>	<u>\$ 98</u>	<u>\$ 7,912</u>	<u>\$ 19</u>	<u>\$ 9,820</u>
Gross charge-offs.....									<u>\$ 0</u>
Total loans									
Acceptable.....	\$ 57,705	\$ 57,927	\$ 54,435	\$ 39,873	\$ 21,644	\$ 75,608	\$ 73,257	\$ 1,256	\$ 381,705
OAEM.....	816	1,253	1,073	1,424	427	1,915	1,811	75	8,794
Substandard/doubtful.....	663	1,177	683	920	732	1,596	1,757	149	7,677
Total.....	<u>\$ 59,184</u>	<u>\$ 60,357</u>	<u>\$ 56,191</u>	<u>\$ 42,217</u>	<u>\$ 22,803</u>	<u>\$ 79,119</u>	<u>\$ 76,825</u>	<u>\$ 1,480</u>	<u>\$ 398,176</u>
Total gross charge-offs.....	<u>\$ 32</u>	<u>\$ 47</u>	<u>\$ 8</u>	<u>\$ 73</u>	<u>\$ 89</u>	<u>\$ 42</u>	<u>\$ 72</u>	<u>\$ 13</u>	<u>\$ 376</u>

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

The following table reflects nonperforming assets (which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned):

	June 30, 2024	December 31, 2023
Nonaccrual loans:		
Real estate mortgage	\$ 964	\$ 732
Production and intermediate-term	557	498
Agribusiness	497	282
Rural infrastructure	57	58
Rural residential real estate	38	36
Total nonaccrual loans	<u>2,113</u>	<u>1,606</u>
Accruing loans 90 days or more past due:		
Real estate mortgage	217	107
Production and intermediate-term	92	26
Agribusiness	43	1
Rural residential real estate	1	
Total accruing loans 90 days or more past due	<u>353</u>	<u>134</u>
Total nonperforming loans	<u>2,466</u>	<u>1,740</u>
Other property owned	121	58
Total nonperforming assets	<u><u>\$ 2,587</u></u>	<u><u>\$ 1,798</u></u>

The following table reflects certain related credit quality statistics:

	June 30, 2024	December 31, 2023
Nonaccrual loans as a percentage of total loans	0.52%	0.40%
Nonperforming assets as a percentage of total loans and other property owned	0.64	0.45
Nonperforming assets as a percentage of capital	3.37	2.45

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for credit losses on loans, as well as interest income recognized on nonaccrual loans during the period:

	June 30, 2024			Interest Income Recognized	
	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
Nonaccrual loans:					
Real estate mortgage	\$ 182	\$ 782	\$ 964	\$ 10	\$ 19
Production and intermediate-term	317	240	557	3	12
Agribusiness	308	189	497	1	3
Rural infrastructure	56	1	57		
Rural residential real estate	2	36	38	1	1
Total nonaccrual loans	<u>\$ 865</u>	<u>\$ 1,248</u>	<u>\$ 2,113</u>	<u>\$ 15</u>	<u>\$ 35</u>

	December 31, 2023			Interest Income Recognized	
	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
Nonaccrual loans:					
Real estate mortgage	\$ 129	\$ 603	\$ 732	\$ 12	\$ 23
Production and intermediate-term	288	210	498	11	16
Agribusiness	230	52	282	1	3
Rural infrastructure	57	1	58		
Rural residential real estate	3	33	36	1	1
Total nonaccrual loans	<u>\$ 707</u>	<u>\$ 899</u>	<u>\$ 1,606</u>	<u>\$ 25</u>	<u>\$ 43</u>

Accrued interest receivable on loans of \$4.383 billion at June 30, 2024 and \$4.333 billion at December 31, 2023 have been excluded from the amortized cost of loans and reported separately in the Condensed Combined Statement of Condition. The System wrote-off accrued interest receivable of \$15

million and \$24 million during the three and six months ended June 30, 2024 by reversing interest income. The System wrote-off accrued interest receivable of \$6 million and \$13 million during the three and six months ended June 30, 2023 by reversing interest income.

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

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

June 30, 2024						
	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	\$ 987	\$ 584	\$ 1,571	\$ 179,772	\$ 181,343	\$ 217
Production and intermediate-term ...	448	388	836	76,557	77,393	92
Agribusiness	144	221	365	74,567	74,932	43
Rural infrastructure		1	1	56,254	56,255	
Rural residential real estate	42	13	55	7,300	7,355	1
Other				9,381	9,381	
Total	<u>\$ 1,621</u>	<u>\$ 1,207</u>	<u>\$ 2,828</u>	<u>\$ 403,831</u>	<u>\$ 406,659</u>	<u>\$ 353</u>

December 31, 2023						
	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	\$ 754	\$ 342	\$ 1,096	\$ 176,526	\$ 177,622	\$ 107
Production and intermediate-term ...	456	196	652	77,438	78,090	26
Agribusiness	122	125	247	70,713	70,960	1
Rural infrastructure	3		3	54,454	54,457	
Rural residential real estate	83	15	98	7,129	7,227	
Other				9,820	9,820	
Total	<u>\$ 1,418</u>	<u>\$ 678</u>	<u>\$ 2,096</u>	<u>\$ 396,080</u>	<u>\$ 398,176</u>	<u>\$ 134</u>

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

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								
	Interest Rate Reduction	Term Extension	Payment Extension	Combination - Interest Rate Reduction and Term Extension	Combination - Interest Rate Reduction and Payment Extension	Combination - Term Extension and Payment Extension	Total	Percentage of Total by Loan Type
Real estate mortgage.....	\$ 12	\$ 13	\$ 91	\$ 2	\$ 2		\$ 120	0.07%
Production and intermediate-term.....	4	130	23	12		\$ 24	193	0.25
Agribusiness...	7	103	27	47		11	195	0.26
Rural residential real estate.....		3					3	0.04
Total.....	<u>\$ 23</u>	<u>\$ 249</u>	<u>\$ 141</u>	<u>\$ 61</u>	<u>\$ 2</u>	<u>\$ 35</u>	<u>\$ 511</u>	0.13

For the Six Months Ended June 30, 2024								
	Interest Rate Reduction	Term Extension	Payment Extension	Combination - Interest Rate Reduction and Term Extension	Combination - Interest Rate Reduction and Payment Extension	Combination - Term Extension and Payment Extension	Total	Percentage of Total by Loan Type
Real estate mortgage.....	\$ 22	\$ 27	\$ 226	\$ 2	\$ 6	\$ 1	\$ 284	0.16%
Production and intermediate-term.....	11	227	33	14		47	332	0.43
Agribusiness...	17	134	82	47		31	311	0.42
Rural infrastructure ..			2				2	0.00
Rural residential real estate.....		3					3	0.04
Total.....	<u>\$ 50</u>	<u>\$ 391</u>	<u>\$ 343</u>	<u>\$ 63</u>	<u>\$ 6</u>	<u>\$ 79</u>	<u>\$ 932</u>	0.23

Accrued interest receivable at the end of reporting period related to loan modifications granted to borrowers experiencing financial difficulty during

the three and six months ended June 30, 2024 was \$12 million and \$20 million.

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

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, 2023, disaggregated by loan type and type of modification granted:

For the Three Months Ended June 30, 2023					
	Interest Rate Reduction	Term or Payment Extension	Combination - Interest Rate Reduction and Term or Payment Extension	Total	Percentage of Total by Loan Type
Real estate mortgage	\$ 33	\$ 41	\$ 1	\$ 75	0.04%
Production and intermediate-term	2	173	7	182	0.26
Agribusiness		95		95	0.14
Rural residential real estate		2		2	0.03
Total	<u>\$ 35</u>	<u>\$ 311</u>	<u>\$ 8</u>	<u>\$ 354</u>	0.09

For the Six Months Ended June 30, 2023					
	Interest Rate Reduction	Term or Payment Extension	Combination - Interest Rate Reduction and Term or Payment Extension	Total	Percentage of Total by Loan Type
Real estate mortgage	\$ 36	\$ 161	\$ 8	\$ 205	0.12%
Production and intermediate-term	9	267	17	293	0.42
Agribusiness		188	3	191	0.28
Rural infrastructure		10		10	0.02
Rural residential real estate		3		3	0.04
Total	<u>\$ 45</u>	<u>\$ 629</u>	<u>\$ 28</u>	<u>\$ 702</u>	0.19

Accrued interest receivable at the end of reporting period related to loan modifications granted to borrowers experiencing financial difficulty during

the three and six months ended June 30, 2023 was \$7 million and \$11 million.

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

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

	Interest Rate Reduction
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate from 11.94% to 8.00%
Production and intermediate-term	Reduced weighted average contractual interest rate from 12.69% to 8.77%
Agribusiness	Reduced weighted average contractual interest rate from 9.52% to 8.54%
	Term Extension
	Financial Effect
Real estate mortgage	Added a weighted average 2.4 years to the life of loans
Production and intermediate-term	Added a weighted average 10.3 months to the life of loans
Agribusiness	Added a weighted average 2.0 years to the life of loans
Rural residential real estate	Added a weighted average 10.5 years to the life of loans
	Payment Extension
	Financial Effect
Real estate mortgage	Provided a weighted average 2.6 years of payment deferrals
Production and intermediate-term	Provided a weighted average 1.1 years of payment deferrals
Agribusiness	Provided a weighted average 2.8 months of payment deferrals
	Principal Forgiveness
	Financial Effect
Real estate mortgage	Reduced the amortized cost basis of the loans by \$5 million
Production and intermediate-term	Reduced the amortized cost basis of the loans by \$23 million
Agribusiness	Reduced the amortized cost basis of the loans by \$6 million
	Combination - Interest Rate Reduction and Term Extension
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate from 8.57% to 7.97% and added a weighted average 27.8 years to the life of loans
Production and intermediate-term	Reduced weighted average contractual interest rate from 9.15% to 7.30% and added a weighted average 1.0 year to the life of loans
Agribusiness	Reduced weighted average contractual interest rate from 4.01% to 3.76% and added a weighted average 3.0 months to the life of loans
	Combination - Interest Rate Reduction and Payment Extension
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate from 10.52% to 8.19% and provided a weighted average 9.3 months of payment deferrals
	Combination - Term Extension and Payment Extension
	Financial Effect
Production and intermediate-term	Added a weighted average 1.1 years to the life of loans and provided a weighted average 9.7 months of payment deferrals
Agribusiness	Added a weighted average 10.6 months to the life of loans and provided a weighted average 10.6 months of payment deferrals

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

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

	Interest Rate Reduction
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate from 9.46% to 7.77%
Production and intermediate-term	Reduced weighted average contractual interest rate from 9.77% to 8.46%
Agribusiness	Reduced weighted average contractual interest rate from 9.77% to 9.09%
	Term Extension
	Financial Effect
Real estate mortgage	Added a weighted average 4.7 years to the life of loans
Production and intermediate-term	Added a weighted average 11.8 months to the life of loans
Agribusiness	Added a weighted average 1.8 years to the life of loans
Rural residential real estate	Added a weighted average 10.1 years to the life of loans
	Payment Extension
	Financial Effect
Real estate mortgage	Provided a weighted average 1.5 years of payment deferrals
Production and intermediate-term	Provided a weighted average 10.6 months of payment deferrals
Agribusiness	Provided a weighted average 11.1 months of payment deferrals
Rural infrastructure	Provided a weighted average 1.0 month of payment deferrals
	Principal Forgiveness
	Financial Effect
Real estate mortgage	Reduced the amortized cost basis of the loans by \$5 million
Production and intermediate-term	Reduced the amortized cost basis of the loans by \$25 million
Agribusiness	Reduced the amortized cost basis of the loans by \$59 million
	Combination - Interest Rate Reduction and Term Extension
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate from 8.62% to 7.98% and added a weighted average 26.9 years to the life of loans
Production and intermediate-term	Reduced weighted average contractual interest rate from 11.96% to 9.18% and added a weighted average 1.7 years to the life of loans
Agribusiness	Reduced weighted average contractual interest rate from 4.01% to 3.76% and added a weighted average 3.0 months to the life of loans
	Combination - Interest Rate Reduction and Payment Extension
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate from 12.33% to 9.16% and provided a weighted average 10.7 months of payment deferrals
	Combination - Term Extension and Payment Extension
	Financial Effect
Real estate mortgage	Added a weighted average 4.3 years to the life of loans and provided a weighted average 1.6 years of payment deferrals
Production and intermediate-term	Added a weighted average 1.0 year to the life of loans and provided a weighted average 7.4 months of payment deferrals
Agribusiness	Added a weighted average 7.5 months to the life of loans and provided a weighted average 5.9 months of payment deferrals

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

The following table describes the financial effects of the modifications made to borrowers experiencing financial difficulty during the three months ended June 30, 2023:

	Interest Rate Reduction
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate from 11.34% to 6.81%
Production and intermediate-term	Reduced weighted average contractual interest rate from 5.71% to 3.79%
	Term or Payment Extension
	Financial Effect
Real estate mortgage	Added a weighted average 1.4 years to the life of loans
Production and intermediate-term	Added a weighted average 9.0 months to the life of loans
Agribusiness	Added a weighted average 8.5 months to the life of loans
Rural residential real estate	Added a weighted average 13.6 years to the life of loans
	Combination - Interest Rate Reduction and Term or Payment Extension
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate from 11.71% to 8.52% and added a weighted average 1.8 years to the life of loans
Production and intermediate-term	Reduced weighted average contractual interest rate from 5.91% to 5.33% and added a weighted average 2.2 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, 2023:

	Interest Rate Reduction
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate from 11.48% to 7.08%
Production and intermediate-term	Reduced weighted average contractual interest rate from 8.88% to 7.40%
	Term or Payment Extension
	Financial Effect
Real estate mortgage	Added a weighted average 1.1 years to the life of loans
Production and intermediate-term	Added a weighted average 1.1 years to the life of loans
Agribusiness	Added a weighted average 1.0 year to the life of loans
Rural infrastructure	Added a weighted average 1.0 year to the life of loans
Rural residential real estate	Added a weighted average 7.9 years to the life of loans
	Combination - Interest Rate Reduction and Term or Payment Extension
	Financial Effect
Real estate mortgage	Reduced weighted average contractual interest rate from 10.94% to 6.29% and added a weighted average 3.3 months to the life of loans
Production and intermediate-term	Reduced weighted average contractual interest rate from 8.77% to 7.49% and added a weighted average 1.7 years to the life of loans
Agribusiness	Reduced weighted average contractual interest rate from 8.55% to 8.20% and added a weighted average 1.0 year to the life of loans

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued) (unaudited) (dollars in millions, except as noted)

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:

Modified Loans that Subsequently Defaulted						
For the Three Months Ended June 30, 2024						
	Interest Rate Reduction	Term Extension	Payment Extension	Combination - Interest Rate Reduction and Term Extension	Combination - Interest Rate Reduction and Payment Extension	Combination - Term Extension and Payment Extension
Real estate mortgage	\$ 4		\$ 1		\$ 2	
Production and intermediate-term		\$ 3	3			\$ 1
Rural residential real estate		1				
Total	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 0</u>	<u>\$ 2</u>	<u>\$ 1</u>

Modified Loans that Subsequently Defaulted						
For the Six Months Ended June 30, 2024						
	Interest Rate Reduction	Term Extension	Payment Extension	Combination - Interest Rate Reduction and Term Extension	Combination - Interest Rate Reduction and Payment Extension	Combination - Term Extension and Payment Extension
Real estate mortgage	\$ 6		\$ 28		\$ 4	
Production and intermediate-term		\$ 9	4	\$ 9		\$ 1
Rural residential real estate		1				
Total	<u>\$ 6</u>	<u>\$ 10</u>	<u>\$ 32</u>	<u>\$ 9</u>	<u>\$ 4</u>	<u>\$ 1</u>

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

The following tables set forth the amortized cost of loans to borrowers experiencing financial difficulty that received a modification on or after January 1, 2023, the date of adoption of CECL, through June 30, 2023 and that defaulted in the periods presented:

Modified Loans that Subsequently Defaulted			
For the Three Months Ended June 30, 2023			
	Interest Rate Reduction	Term or Payment Extension	Combination - Interest Rate Reduction and Term or Payment Extension
Real estate mortgage	\$ 11	\$ 1	\$ 1
Production and intermediate-term		11	
Total	\$ 11	\$ 12	\$ 1

Modified Loans that Subsequently Defaulted			
For the Six Months Ended June 30, 2023			
	Interest Rate Reduction	Term or Payment Extension	Combination - Interest Rate Reduction and Term or Payment Extension
Real estate mortgage	\$ 11	\$ 5	\$ 1
Production and intermediate-term		13	
Total	\$ 11	\$ 18	\$ 1

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:

Payment Status of Loans Modified in the Past Twelve Months				
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Real estate mortgage	\$ 298	\$ 15	\$ 38	\$ 351
Production and intermediate-term	375	34	24	433
Agribusiness	497	1	30	528
Rural infrastructure	33			33
Rural residential real estate	5	1	1	7
Total	\$ 1,208	\$ 51	\$ 93	\$ 1,352

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified on or after January 1, 2023, the date of adoption of CECL, through June 30, 2023:

	Payment Status of Loans Modified in the Past Six Months			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Real estate mortgage	\$ 174	\$ 18	\$ 13	\$ 205
Production and intermediate-term	272	5	16	293
Agribusiness	170	21		191
Rural infrastructure	10			10
Rural residential real estate	2		1	3
Total	<u>\$ 628</u>	<u>\$ 44</u>	<u>\$ 30</u>	<u>\$ 702</u>

Additional commitments to lend to borrowers experiencing financial difficulties whose loans have been modified during the six months ended June 30, 2024 were \$245 million and during the year ended December 31, 2023 were \$460 million.

Loans held for sale were \$39 million and \$88 million at June 30, 2024 and December 31, 2023. Such loans are included in other assets and are carried at the lower of cost or fair value.

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

NOTE 4 — ALLOWANCE FOR CREDIT LOSSES

A summary of changes in the ACL by portfolio segment for the three and six months ended June 30, 2024 follows:

	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	\$ 377	\$ 333	\$ 494	\$ 324	\$ 25	\$ 22	\$1,575
Charge-offs	(11)	(44)	(15)	(2)			(72)
Recoveries		9	1				10
Provision for credit losses (credit loss reversal)	30	44	47	12	(9)	(1)	123
Balance at June 30, 2024	<u>\$ 396</u>	<u>\$ 342</u>	<u>\$ 527</u>	<u>\$ 334</u>	<u>\$ 16</u>	<u>\$ 21</u>	<u>\$1,636</u>
Balance at December 31, 2023	\$ 372	\$ 321	\$ 536	\$ 332	\$ 28	\$ 28	\$1,617
Charge-offs	(18)	(65)	(85)	(3)			(171)
Recoveries	2	15	4				21
Provision for credit losses (credit loss reversal)	40	71	72	5	(12)	(7)	169
Balance at June 30, 2024	<u>\$ 396</u>	<u>\$ 342</u>	<u>\$ 527</u>	<u>\$ 334</u>	<u>\$ 16</u>	<u>\$ 21</u>	<u>\$1,636</u>
Allowance for Credit Losses on Unfunded Commitments:							
Balance at March 31, 2024	\$ 12	\$ 58	\$ 93	\$ 35		\$ 2	\$ 200
Credit loss reversal		(2)	(1)				(3)
Balance at June 30, 2024	<u>\$ 12</u>	<u>\$ 56</u>	<u>\$ 92</u>	<u>\$ 35</u>	<u>\$ 0</u>	<u>\$ 2</u>	<u>\$ 197</u>
Balance at December 31, 2023	\$ 13	\$ 55	\$ 102	\$ 34		\$ 2	\$ 206
(Credit loss reversal) provision for credit losses	(1)	1	(10)	1			(9)
Balance at June 30, 2024	<u>\$ 12</u>	<u>\$ 56</u>	<u>\$ 92</u>	<u>\$ 35</u>	<u>\$ 0</u>	<u>\$ 2</u>	<u>\$ 197</u>
Allowance for Credit Losses on Investments:							
Balance at March 31, 2024	N/A	N/A	N/A	N/A	N/A	N/A	\$ 3
Credit loss reversal	N/A	N/A	N/A	N/A	N/A	N/A	(1)
Balance at June 30, 2024	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>\$ 2</u>
Balance at December 31, 2023	N/A	N/A	N/A	N/A	N/A	N/A	\$ 3
Credit loss reversal	N/A	N/A	N/A	N/A	N/A	N/A	(1)
Balance at June 30, 2024	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>\$ 2</u>
Total Allowance for Credit Losses:							
Balance at June 30, 2024	<u>\$ 408</u>	<u>\$ 398</u>	<u>\$ 619</u>	<u>\$ 369</u>	<u>\$ 16</u>	<u>\$ 23</u>	<u>\$1,835</u>

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

A summary of changes in the ACL by portfolio segment for the three and six months ended June 30, 2023 follows:

	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, 2023	\$ 365	\$ 295	\$ 562	\$ 278	\$ 36	\$ 35	\$1,571
Adjustment due to merger	(4)	(4)	(1)				(9)
Charge-offs	(2)	(11)	(16)				(29)
Recoveries		6	2				8
Provision for credit losses (credit loss reversal)	4	70	62	22	(6)	(2)	150
Balance at June 30, 2023	\$ 363	\$ 356	\$ 609	\$ 300	\$ 30	\$ 33	\$1,691
Balance at December 31, 2022	\$ 342	\$ 419	\$ 574	\$ 196	\$ 14	\$ 31	\$1,576
Adjustment to beginning balance due to the change in accounting for credit losses	8	(147)	(78)	61	16	8	(132)
Balance at January 1, 2023	350	272	496	257	30	39	1,444
Adjustment due to merger ¹	(13)	(43)	(18)	(1)			(75)
Charge-offs	(2)	(42)	(28)	(1)			(73)
Recoveries	1	9	3				13
Provision for credit losses (credit loss reversal)	27	160	156	45		(6)	382
Balance at June 30, 2023	\$ 363	\$ 356	\$ 609	\$ 300	\$ 30	\$ 33	\$1,691
Allowance for Credit Losses on Unfunded Commitments:							
Balance at March 31, 2023	\$ 12	\$ 44	\$ 83	\$ 28		\$ 1	\$ 168
Provision for credit losses	1	2	13	4		1	21
Balance at June 30, 2023	\$ 13	\$ 46	\$ 96	\$ 32	\$ 0	\$ 2	\$ 189
Balance at December 31, 2022	\$ 11	\$ 45	\$ 116	\$ 48		\$ 2	\$ 222
Adjustment to beginning balance due to the change in accounting for credit losses		(11)	(28)	(18)		(1)	(58)
Balance at January 1, 2023	11	34	88	30		1	164
Provision for credit losses	2	12	8	2		1	25
Balance at June 30, 2023	\$ 13	\$ 46	\$ 96	\$ 32	\$ 0	\$ 2	\$ 189
Allowance for Credit Losses on Investments:							
Balance at March 31, 2023	N/A	N/A	N/A	N/A	N/A	N/A	\$ 6
Provision for credit losses	N/A	N/A	N/A	N/A	N/A	N/A	
Balance at June 30, 2023	N/A	N/A	N/A	N/A	N/A	N/A	\$ 6
Balance at December 31, 2023	N/A	N/A	N/A	N/A	N/A	N/A	\$ 0
Adjustment to beginning balance due to the change in accounting for credit losses	N/A	N/A	N/A	N/A	N/A	N/A	6
Balance at January 1, 2023	N/A	N/A	N/A	N/A	N/A	N/A	6
Provision for credit losses	N/A	N/A	N/A	N/A	N/A	N/A	
Balance at June 30, 2023	N/A	N/A	N/A	N/A	N/A	N/A	\$ 6
Total Allowance for Credit Losses:							
Balance at June 30, 2023	\$ 376	\$ 402	\$ 705	\$ 332	\$ 30	\$ 35	\$1,886

¹Includes the initial allowance for credit losses on PCD loans of \$19 million.

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

Discussion of Changes in Allowance for Credit Losses

The ACL increased \$9 million to \$1.835 billion at June 30, 2024, as compared to \$1.826 billion at December 31, 2023. This increase was mainly due to credit quality deterioration, higher loan volume and increase in specific reserves associated with a limited number of customers partially offset by net charge-offs.

The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. System institutions may utilize either a single economic scenario or multiple scenarios over their determined reasonable and supportable forecast period, generally between 12 and 36 months. All sources are from public published indices.

The following table sets forth certain significant macroeconomic variables by loan type:

Portfolio Segment	Macroeconomic Variable
Real estate mortgage	Unemployment rates, net farm income, Dow Jones Stock Market Index, Real Disposable Personal Income
Production and intermediate-term	Unemployment rates, net farm income, U.S. Corporate Bond Spread
Agribusiness.....	Unemployment rates, net farm income, U.S. Real Gross Domestic Product (GDP), Export of agricultural goods
Rural infrastructure	Unemployment rates, GDP, Export of agricultural goods
Rural residential real estate	Unemployment rates, net farm income, U.S Median House Price, GDP
Other	Unemployment rates, GDP, Real Disposable Personal Income

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

NOTE 5 — OTHER ASSETS AND OTHER LIABILITIES

Other assets consisted of the following:

	June 30, 2024	December 31, 2023
Interest rate swaps and other derivatives	\$ 790	\$ 887
Equipment held for lease	671	637
Accounts receivable	573	468
Investments in rural business investment companies	480	466
Assets held in non-qualified benefits trusts	267	245
Prepaid expenses	177	132
Operating lease right-of-use assets	129	137
Equity investments in other System institutions	125	125
Other property owned	121	58
Loans held for sale	39	88
Net deferred tax assets	9	9
Other	251	489
Total	<u>\$ 3,632</u>	<u>\$ 3,741</u>

Other liabilities consisted of the following:

	June 30, 2024	December 31, 2023
Patronage and dividends payable	\$ 937	\$ 2,980
Interest rate swaps and other derivatives	901	903
Accounts payable	721	879
Pension and other postretirement benefit plan liabilities	568	599
Net deferred tax liabilities ..	497	506
Accrued salaries and employee benefits	369	525
Collateral held from derivative counterparties ...	317	297
Allowance for credit losses on unfunded commitments ..	197	206
Liabilities held in non-qualified benefit trusts	191	172
Operating lease liabilities ..	144	151
Bank drafts payable	105	161
Other	384	483
Total	<u>\$ 5,331</u>	<u>\$ 7,862</u>

NOTE 6 — FARM CREDIT INSURANCE FUND

The assets in the Insurance Fund are designated as restricted assets and the related capital is designated as restricted capital. The classification of the Insurance Fund as restricted assets (and as restricted capital) in the System's condensed combined financial statements is based on the statutory requirement that the amounts in the Insurance Fund are to be used solely for purposes specified in the Farm Credit Act of 1971, as amended (Farm Credit Act), all of which benefit the Banks and Associations. The Insurance Fund is under the direct control of the Farm Credit System Insurance Corporation (Insurance Corporation), an independent U.S. government-controlled corporation, and not under the control of any System institution. A board of directors consisting of the Farm Credit Administration Board directs the Insurance Corporation.

The System does not have a guaranteed line of credit from the U.S. Treasury or the Federal Reserve. However, the Insurance Corporation has an agreement with the Federal Financing Bank, a federal instrumentality subject to the supervision and direction

of the U.S. Treasury, pursuant to which the Federal Financing Bank would advance funds to the Insurance Corporation under certain limited circumstances. Under its existing statutory authority, the Insurance Corporation may use these funds to provide assistance to the System Banks in exigent market circumstances that threaten the Banks' ability to pay 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 Insurance Corporation or the Federal Financing Bank. The decision whether to seek funds from the Federal Financing Bank is at the discretion of the Insurance Corporation, and each funding obligation of the Federal Financing Bank is subject to various terms and conditions and, as a result, there can be no assurance that funding would be available if needed by the System.

At June 30, 2024, assets in the Insurance Fund totaled \$7.637 billion and consisted of cash, investments and related accrued interest receivable of

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

\$7.452 billion and of premiums receivable from System institutions of \$185 million accrued on the basis of adjusted outstanding insured debt during the first six months of 2024. Investments held by the Insurance Fund must be obligations of the United States or obligations guaranteed as to principal and interest by the United States. During the first six months of 2024, income earned on assets in the Insurance Fund and premiums accrued by the Insurance Corporation totaled \$302 million, net of administrative expenses.

As further discussed in the *2023 Annual Information Statement*, pursuant to the Farm Credit Act, as amended, the Insurance Corporation may distribute excess funds above the secure base amount to System institutions. At December 31, 2023, the

Insurance Fund exceeded the secure base amount by \$123 million (after deduction of prospective operating expenses for 2024) and the excess was transferred to the Allocated Insurance Reserves Accounts. In April 2024, the Insurance Corporation's board of directors approved and distributed the \$123 million of excess funds to System institutions.

At June 30, 2024, as determined by the Insurance Corporation, the Insurance Fund for which no specific use has been identified or designated was 2.06% of adjusted insured obligations, as compared with 2.00% at December 31, 2023. The Insurance Fund with the allocated amount was 2.03% of the adjusted insured obligations at December 31, 2023. No amounts were allocated as of June 30, 2024.

NOTE 7 — SYSTEMWIDE DEBT SECURITIES

Aggregate maturities and the weighted average interest rate of Systemwide Debt Securities were as follows at June 30, 2024:

	Bonds		Medium-term Notes		Discount Notes		Total	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Due in 1 year or less	\$ 136,799	4.49%			\$ 13,443	5.05%	\$ 150,242	4.54%
Due after 1 year through 2 years	114,283	4.66					114,283	4.66
Due after 2 years through 3 years	37,720	3.14					37,720	3.14
Due after 3 years through 4 years	23,181	3.13					23,181	3.13
Due after 4 years through 5 years	22,463	3.44	\$ 61	5.75%			22,524	3.45
Due after 5 years	72,719	3.11					72,719	3.11
Total	<u>\$ 407,165</u>	4.03	<u>\$ 61</u>	5.75	<u>\$ 13,443</u>	5.05	<u>\$ 420,669</u>	4.06

The Farm Credit Act and Farm Credit Administration regulations require each Bank to maintain specified eligible assets at least equal in value to the total amount of debt securities outstanding for which it is primarily liable as a condition for participation in the issuance of Systemwide Debt Securities. Each Bank was in compliance with these requirements as of June 30, 2024 and December 31, 2023. At June 30, 2024, the combined Banks had

specified eligible assets of \$453.5 billion and \$429.8 billion of Systemwide Debt Securities, other bonds and accrued interest payable, as compared with \$447.7 billion of specified eligible assets and \$424.7 billion of Systemwide Debt Securities, other bonds and accrued interest payable at December 31, 2023. The specified eligible asset requirement does not provide holders of the securities with a security interest in any assets of the Banks.

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

NOTE 8 — CAPITAL STRUCTURE

Capital consisted of the following at June 30, 2024:

	Combined Banks	Combined Associations	Combination Entries	System Combined
Preferred stock	\$ 2,975	\$ 707		\$ 3,682
Capital stock and participation certificates	10,891	482	\$ (9,222)	2,151
Additional paid-in-capital	64	7,222		7,286
Restricted capital — Insurance Fund			7,637	7,637
Accumulated other comprehensive loss	(3,484)	(126)	(785)	(4,395)
Retained earnings	13,717	47,249	(481)	60,485
Total capital	<u>\$ 24,163</u>	<u>\$ 55,534</u>	<u>\$ (2,851)</u>	<u>\$ 76,846</u>

Preferred stock issued and outstanding reflects the issuance by two Banks and five Associations. Combined System retained earnings reflected net eliminations of \$481 million representing transactions between the Banks, the Associations and/or the Insurance Fund. Capital stock and participation certificates of the Banks amounting to \$9.2 billion were owned by the Associations. These amounts have been eliminated in the accompanying condensed combined financial statements. Restricted capital is only available for statutorily authorized purposes and is not available for payment of dividends or patronage distributions.

During the second quarter of 2024, CoBank issued \$300 million of non-cumulative perpetual preferred stock. Dividends on preferred stock, if declared by CoBank's board of directors in its sole discretion, are non-cumulative and are payable quarterly at a fixed annual rate of 7.25% until July 1, 2029, after which the dividend rate will reset to a rate equal to the five year Treasury rate plus 2.88%. The preferred stock issuance is redeemable at par value, in whole or in part, at CoBank's option beginning on July 1, 2029. Proceeds from this preferred stock issuance were used to increase regulatory capital and for general corporate purposes. Also during the second quarter of 2024, the Farm Credit Bank of Texas issued

\$300 million of non-cumulative subordinated perpetual preferred stock. Dividends on preferred stock, if declared by the Texas' board of directors in its sole discretion, are non-cumulative and are payable quarterly at a fixed annual rate of 7.75%, up to but excluding June 15, 2029, after which the dividend rate resets to the annual five year Treasury rate plus 3.291%. The preferred stock issuance is redeemable at par value, in whole or in part, at Texas' option beginning on June 15, 2029. Proceeds from this preferred stock issuance were used for general corporate purposes.

During the first quarter of 2024, AgriBank redeemed all outstanding shares of its \$250 million non-cumulative perpetual preferred stock at par.

During the first quarter of 2023, CoBank purchased and retired \$8 million of its three-month LIBOR plus 1.18% non-cumulative perpetual preferred stock.

Preferred stock is the sole obligation of the issuing entity and is not guaranteed by any other System institution and is not considered a Systemwide Debt Security subject to the provisions of joint and several liability. Preferred stock is not guaranteed or insured by the Insurance Fund.

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

Accumulated other comprehensive loss was comprised of the following components:

	June 30, 2024			December 31, 2023		
	Before Tax	Deferred Tax	Net of Tax	Before Tax	Deferred Tax	Net of Tax
Unrealized losses on investments available-for-sale, net	\$ (3,915)	\$ 151	\$ (3,764)	\$ (3,777)	\$ 145	\$ (3,632)
Unrealized gains on cash flow hedges, net	297	7	304	60	12	72
Pension and other benefit plans	(953)	18	(935)	(976)	19	(957)
Total	<u>\$ (4,571)</u>	<u>\$ 176</u>	<u>\$ (4,395)</u>	<u>\$ (4,693)</u>	<u>\$ 176</u>	<u>\$ (4,517)</u>

The following tables present the activity in the accumulated other comprehensive loss, net of tax by component for the three and six months ended June 30, 2024 and 2023:

	Unrealized losses on investments available- for-sale, net	Unrealized gains on cash flow hedges, net	Pension and other benefit plans	Accumulated other comprehensive loss
Balance at March 31, 2024	\$ (3,853)	\$ 259	\$ (954)	\$ (4,548)
Other comprehensive income (loss) before reclassifications	90	58	(1)	147
Amounts reclassified from accumulated other comprehensive loss to income	(1)	(13)	20	6
Net current period other comprehensive income	89	45	19	153
Balance at June 30, 2024	<u>\$ (3,764)</u>	<u>\$ 304</u>	<u>\$ (935)</u>	<u>\$ (4,395)</u>

	Unrealized losses on investments available- for-sale, net	Unrealized gains on cash flow hedges, net	Pension and other benefit plans	Accumulated other comprehensive loss
Balance at March 31, 2023	\$ (3,823)	\$ 58	\$ (1,106)	\$ (4,871)
Other comprehensive (loss) income before reclassifications	(608)	175	1	(432)
Amounts reclassified from accumulated other comprehensive loss to income	7	(6)	24	25
Net current period other comprehensive (loss) income	(601)	169	25	(407)
Balance at June 30, 2023	<u>\$ (4,424)</u>	<u>\$ 227</u>	<u>\$ (1,081)</u>	<u>\$ (5,278)</u>

	Unrealized losses on investments available-for- sale, net	Unrealized gains on cash flow hedges, net	Pension and other benefit plans	Accumulated other comprehensive loss
Balance at December 31, 2023	\$ (3,632)	\$ 72	\$ (957)	\$ (4,517)
Other comprehensive (loss) income before reclassifications	(131)	258	(19)	108
Amounts reclassified from accumulated other comprehensive loss to income	(1)	(26)	41	14
Net current period other comprehensive (loss) income	(132)	232	22	122
Balance at June 30, 2024	<u>\$ (3,764)</u>	<u>\$ 304</u>	<u>\$ (935)</u>	<u>\$ (4,395)</u>

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

	Unrealized losses on investments available-for- sale, net	Unrealized gains on cash flow hedges, net	Pension and other benefit plans	Accumulated other comprehensive loss
Balance at December 31, 2022	\$ (4,543)	\$ 187	\$ (1,136)	\$ (5,492)
Adjustment to beginning balance due to the change in accounting for credit losses	4			4
Balance at January 1, 2023	(4,539)	187	(1,136)	(5,488)
Other comprehensive income before reclassifications	60	48	2	110
Amounts reclassified from accumulated other comprehensive loss to income	7	(8)	50	49
Net current period other comprehensive income	67	40	52	159
Adjustment due to Association mergers	48		3	51
Balance at June 30, 2023	<u>\$ (4,424)</u>	<u>\$ 227</u>	<u>\$ (1,081)</u>	<u>\$ (5,278)</u>

Only the Banks are statutorily liable for the payment of principal and interest on Federal Farm Credit Banks Consolidated Systemwide Bonds, Federal Farm Credit Banks Consolidated Systemwide Discount Notes, Federal Farm Credit Banks Consolidated Systemwide Medium-Term Notes and other debt securities issued under Section 4.2(d) of the Farm Credit Act (collectively, Systemwide Debt Securities). Under each Bank's bylaws, the Bank is authorized under certain circumstances to require its affiliated Associations and certain other equity holders to purchase additional Bank equities. In most cases, the Banks are limited as to the amounts of these purchases that may be required, generally with reference to a percentage of the Association's or other equity holder's direct loan from the Bank, and calls for additional equity investments may be subject to other limits or conditions. However, the Banks also generally possess indirect access to certain financial resources of their affiliated Associations through loan-pricing provisions and through Bank-influenced District operating and financing policies and agreements.

NOTE 9 — EMPLOYEE BENEFIT PLANS

The Banks and substantially all Associations participate in defined benefit retirement plans. The Banks and Associations, except for CoBank and certain affiliated Associations, generally have governmental plans that cover many System institutions and as such cannot be attributed to any individual entity. Thus, these plans are generally recorded at the combined District level. Although these plans are aggregated in the System's combined

Capital regulations issued by the System's regulator, the Farm Credit Administration, require that the Banks and Associations maintain regulatory minimums for the following capital ratios:

Ratio	Minimum Requirement	Minimum Requirement with Buffer
Common Equity		
Tier 1 Capital	4.5%	7.0%
Tier 1 Capital	6.0%	8.5%
Total Capital	8.0%	10.5%
Tier 1 Leverage*	4.0%	5.0%
Unallocated Retained Earnings (URE) and URE Equivalents (UREE) Leverage	1.5%	N/A
Permanent Capital	7.0%	N/A

* Must include the regulatory minimum requirement for the URE and UREE Leverage ratio.

At June 30, 2024, all System institutions complied with these standards.

financial statements, the plan assets are particular to each plan's obligations. These retirement plans are noncontributory and benefits are based on salary and years of service. The Banks and Associations have closed their defined benefit pension plans to new participants and offer defined contribution retirement plans to all employees hired subsequent to the close of their respective defined benefit pension plans. In addition, certain System institutions provide healthcare

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

and other postretirement benefits to eligible retired employees. Employees of System institutions may become eligible for healthcare and other postretirement benefits if they reach normal retirement age while working for the System.

The following table summarizes the components of net periodic benefit cost for the three months ended June 30:

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Service cost	\$ 10	\$ 11		\$ 1
Interest cost	43	45	\$ 3	8
Expected return on plan assets	(47)	(51)		
Net amortization and deferral	21	27		(2)
Net periodic benefit cost	<u>\$ 27</u>	<u>\$ 32</u>	<u>\$ 3</u>	<u>\$ 7</u>

The following table summarizes the components of net periodic benefit cost for the six months ended June 30:

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Service cost	\$ 20	\$ 21	\$ 1	\$ 1
Interest cost	87	90	6	6
Expected return on plan assets	(95)	(101)		
Net amortization and deferral	42	55	(1)	(2)
Curtailments and settlements		1		
Net periodic benefit cost	<u>\$ 54</u>	<u>\$ 66</u>	<u>\$ 6</u>	<u>\$ 5</u>

The components of net periodic benefit cost other than the service cost component are included in the line item other expense in the Condensed Combined Statement of Income.

As of June 30, 2024, \$67 million and \$7 million of contributions have been made to pension and other postretirement benefit plans. System institutions presently anticipate contributing an additional \$39 million to fund their pension plans and \$6 million to fund their other postretirement benefit plans during the remainder of 2024.

NOTE 10 — FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value 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. See Note 2 — Summary of Significant Accounting Policies in the *2023 Annual Information Statement* for additional information.

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

Assets and liabilities measured at fair value on a recurring basis at June 30, 2024 and December 31, 2023 for each of the fair value hierarchy levels are summarized below:

<u>June 30, 2024</u>	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Federal funds sold and securities purchased under resale agreements		\$ 4,781		\$ 4,781
Commercial paper, bankers' acceptances, certificates of deposit and other securities		9,680	\$ 13	9,693
U.S. Treasury securities		22,504		22,504
U.S. agency securities		2,469		2,469
Mortgage-backed securities		36,759	144	36,903
Asset-backed securities		6,321		6,321
Derivative assets		790		790
Assets held in non-qualified benefits trusts	\$ 267			267
Total assets	<u>\$ 267</u>	<u>\$ 83,304</u>	<u>\$ 157</u>	<u>\$ 83,728</u>
Liabilities:				
Derivative liabilities		\$ 901		\$ 901
Collateral liabilities	\$ 6	311		317
Standby letters of credit			\$ 24	24
Total liabilities	<u>\$ 6</u>	<u>\$ 1,212</u>	<u>\$ 24</u>	<u>\$ 1,242</u>

<u>December 31, 2023</u>	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Federal funds sold and securities purchased under resale agreements		\$ 7,462		\$ 7,462
Commercial paper, bankers' acceptances, certificates of deposit and other securities		11,422	\$ 118	11,540
U.S. Treasury securities		22,072		22,072
U.S. agency securities		2,410		2,410
Mortgage-backed securities		35,067	58	35,125
Asset-backed securities		6,524		6,524
Derivative assets		887		887
Assets held in non-qualified benefits trusts	\$ 245			245
Total assets	<u>\$ 245</u>	<u>\$ 85,844</u>	<u>\$ 176</u>	<u>\$ 86,265</u>
Liabilities:				
Derivative liabilities		\$ 903		\$ 903
Collateral liabilities	\$ 1	296		297
Standby letters of credit			\$ 21	21
Total liabilities	<u>\$ 1</u>	<u>\$ 1,199</u>	<u>\$ 21</u>	<u>\$ 1,221</u>

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

The tables below summarize the activity of all Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended June 30, 2024 and 2023:

	Commercial paper, bankers' acceptances, certificates of deposit and other securities	Mortgage-backed securities	Standby letters of credit
Balance at March 31, 2024	\$ 13	\$ 55	\$ 22
Total gains or (losses) realized/unrealized:			
Included in other comprehensive income/loss		1	
Purchases		90	
Issuances			5
Settlements		(2)	(3)
Balance at June 30, 2024	<u>\$ 13</u>	<u>\$ 144</u>	<u>\$ 24</u>
The amount of gains/losses for the period included in other comprehensive income/loss attributable to the change in unrealized gains or losses relating to assets or liabilities still held at June 30, 2024	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 0</u>

	Commercial paper, bankers' acceptances, certificates of deposit and other securities	Mortgage-backed securities	Standby letters of credit
Balance at March 31, 2023	\$ 30	\$ 191	\$ 21
Total gains or (losses) realized/unrealized:			
Included in other comprehensive income/loss		(1)	
Purchases	4	54	
Issuances			4
Settlements	(18)	(3)	(5)
Transfers from Level 3 into Level 2		(125)	
Balance at June 30, 2023	<u>\$ 16</u>	<u>\$ 116</u>	<u>\$ 20</u>
The amount of gains/losses for the period included in other comprehensive income/loss attributable to the change in unrealized gains or losses relating to assets or liabilities still held at June 30, 2023	<u>\$ 0</u>	<u>\$ (1)</u>	<u>\$ 0</u>

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

The tables below summarize the activity of all Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ended June 30, 2024 and 2023:

	Commercial paper, bankers' acceptances, certificates of deposit and other securities	Mortgage-backed securities	Standby letters of credit
Balance at December 31, 2023	\$ 118	\$ 58	\$ 21
Total gains or (losses) realized/unrealized:			
Included in other comprehensive income/loss		1	
Purchases	1	90	
Issuances			10
Settlements	(6)	(5)	(7)
Transfers from Level 3 into Level 2	(100)		
Balance at June 30, 2024	<u>\$ 13</u>	<u>\$ 144</u>	<u>\$ 24</u>
The amount of gains/losses for the period included in other comprehensive income/loss attributable to the change in unrealized gains or losses relating to assets or liabilities still held at June 30, 2024	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 0</u>

	Commercial paper, bankers' acceptances, certificates of deposit and other securities	Mortgage-backed securities	Standby letters of credit
Balance at December 31, 2022	\$ 25	\$ 68	\$ 22
Purchases	9	179	
Issuances			9
Settlements	(18)	(6)	(11)
Transfers from Level 3 into Level 2		(125)	
Balance at June 30, 2023	<u>\$ 16</u>	<u>\$ 116</u>	<u>\$ 20</u>
The amount of gains/losses for the period included in other comprehensive income/loss attributable to the change in unrealized gains or losses relating to assets or liabilities still held at June 30, 2023	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

There were no losses included in earnings during the first six months of 2024 and 2023 that were attributable to the change in unrealized gains or losses relating to assets or liabilities still held at June 30, 2024 and 2023.

The transfers between Level 3 and Level 2 during the six months ended June 30, 2024 and 2023 were due to changes in the sources of pricing information.

Level 3 assets measured at fair value on a non-recurring basis included loans of \$542 million and other property owned of \$141 million at June 30, 2024, as compared to \$492 million and \$66 million at December 31, 2023.

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the Condensed Combined Statement of Condition for each of the fair value hierarchy levels are summarized as follows:

June 30, 2024					
	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	\$ 2,576	\$ 2,576			\$ 2,576
Other investments held-to-maturity	5,756		\$ 3,099	\$ 2,543	5,642
Net loans	405,023			395,920	395,920
Total assets	<u>\$ 413,355</u>	<u>\$ 2,576</u>	<u>\$ 3,099</u>	<u>\$ 398,463</u>	<u>\$ 404,138</u>
Liabilities:					
Systemwide Debt Securities	\$ 420,669			\$ 406,541	\$ 406,541
Subordinated debt	398			306	306
Other bonds	5,998			5,998	5,998
Other interest bearing liabilities	1,688		\$ 34	1,555	1,589
Total liabilities	<u>\$ 428,753</u>	<u>\$ 0</u>	<u>\$ 34</u>	<u>\$ 414,400</u>	<u>\$ 414,434</u>
Other financial instruments:					
Commitments to extend credit				<u>\$ 311</u>	<u>\$ 311</u>

December 31, 2023					
	Total Carrying Amount	Fair Value Measurement Using			Total Fair Value
		Level 1	Level 2	Level 3	
Assets:					
Cash	\$ 3,760	\$ 3,760			\$ 3,760
Other investments held-to-maturity	4,594		\$ 2,161	\$ 2,348	4,509
Net loans	396,559			389,112	389,112
Total assets	<u>\$ 404,913</u>	<u>\$ 3,760</u>	<u>\$ 2,161</u>	<u>\$ 391,460</u>	<u>\$ 397,381</u>
Liabilities:					
Systemwide Debt Securities	\$ 415,533			\$ 402,148	\$ 402,148
Subordinated debt	398			299	299
Other bonds	6,288			6,288	6,288
Other interest bearing liabilities	1,557		\$ 32	1,469	1,501
Total liabilities	<u>\$ 423,776</u>	<u>\$ 0</u>	<u>\$ 32</u>	<u>\$ 410,204</u>	<u>\$ 410,236</u>
Other financial instruments:					
Commitments to extend credit				<u>\$ 306</u>	<u>\$ 306</u>

Uncertainty of Fair Value Measurements

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default, and loss

severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would have resulted in a significantly lower (higher) fair value measurement.

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Quoted market prices are generally not available for the instruments presented below. Accordingly, fair

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

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value		Valuation Technique(s)	Unobservable Input	Range of Inputs	
	June 30, 2024	December 31, 2023			June 30, 2024	December 31, 2023
Commercial paper, bankers' acceptances, certificates of deposit and other securities.....	\$ 13	\$ 18	Discounted cash flow	Prepayment rate	0.0%	0.0%
		100	Vendor priced			
	<u>\$ 13</u>	<u>\$ 118</u>				
Mortgage-backed securities...	\$ 7	\$ 9	Discounted cash flow	Prepayment rate	3.0%-32.1%	3.0%-32.1%
	137	49	Vendor priced			
	<u>\$ 144</u>	<u>\$ 58</u>				
Standby letters of credit.....	<u>\$ 24</u>	<u>\$ 21</u>	Discounted cash flow	Rate of funding	50.0%	50.0%
				Risk-adjusted spread	0.1%-1.9%	0.1%-1.3%

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
Federal funds sold and securities purchased under resale agreements.....	Carrying value	Par/principal and appropriate interest yield
Investment securities available-for-sale.....	Discounted cash flow	Constant prepayment rate Probability of default Loss severity
	Quoted prices	Price for similar security
Interest rate swaps, caps and floors.....	Discounted cash flow	Annualized volatility Counterparty credit risk Company's own credit risk

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

Valuation Techniques

As more fully discussed in Note 2 — Summary of Significant Accounting Policies, in the *2023 Annual Information Statement*, FASB guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represents a brief summary of the valuation techniques used by the System for assets and liabilities measured at fair value:

Investment Securities

Where quoted prices are available in an active market, available-for-sale securities would be classified as Level 1. If quoted prices are not available in an active market, the fair value of securities is estimated using pricing models that utilize observable inputs, quoted prices for similar securities received from pricing services or discounted cash flows. Generally, these securities would be classified as Level 2. This would include, but not limited to, U.S. Treasury, U.S. agency and the substantial majority of mortgage-backed and asset-backed securities. Where there is limited activity or less transparency around inputs to the valuation, the securities are classified as Level 3. Securities classified within Level 3 primarily consist of certain mortgage-backed securities including those issued by Farmer Mac and private label-FHA/VA securities.

To estimate the fair value of the majority of the investments held, the Banks and Associations obtain prices from third party pricing services. For the valuation of securities not actively traded, including certain mortgage-backed securities, the Banks and Associations utilize either a third party cash flow model or an internal model. The significant inputs for the valuation models include yields, probability of default, loss severity and prepayment rates.

Derivatives

Exchange-traded derivatives valued using quoted prices would be classified within Level 1 of the valuation hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the majority of the derivative positions are valued using internally developed models that use as their basis readily observable market parameters and are classified within Level 2 of the valuation hierarchy.

Such derivatives include basic interest rate swaps and options.

The models used to determine the fair value of derivative assets and liabilities use an income approach based on observable market inputs, including the SOFR and Overnight Index Swap curves and volatility assumptions about future interest rate movements.

Assets Held in Non-Qualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the market-place.

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but, in many cases, it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of other property owned involves the use of independent appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value.

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

Collateral Liabilities

Derivative contracts are supported by bilateral collateral agreements with counterparties requiring the posting of collateral in the event certain dollar thresholds of credit exposure are reached or are cleared through a futures commission merchant, with a clearinghouse (i.e., a central counterparty). The market value of collateral liabilities is its face value plus accrued interest that approximates fair value.

NOTE 11 — DERIVATIVE PRODUCTS AND HEDGING ACTIVITIES

The Banks and Associations maintain an overall interest rate risk management strategy that incorporates the use of derivative products to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. The goal is to manage interest rate sensitivity by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities so that movements in interest rates do not adversely affect the net interest margin. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by the gains or losses on the derivative instruments that are linked to these hedged assets and liabilities. Another result of interest rate fluctuations is that the interest income and interest expense of hedged floating-rate assets and liabilities will increase or decrease. The effect of this variability in earnings is expected to be substantially offset by the gains and losses on the derivative instruments that are linked to these hedged assets and liabilities. The strategic use of derivatives is considered to be a prudent method of managing interest rate sensitivity, as it prevents earnings from being exposed to undue risk resulting from changes in interest rates.

In addition, derivative transactions, particularly interest rate swaps, are entered into to lower funding costs, diversify sources of funding, alter interest rate exposures arising from mismatches between assets and liabilities, or better manage liquidity. Interest rate swaps allow us to issue medium-term debt at fixed rates, which are then swapped to floating rates that are lower than those available if floating-rate debt was issued directly. Under interest rate swap arrangements, the parties agree to exchange, at specified intervals, payment streams calculated on a specified notional principal amount, with at least one stream based on a specified floating rate index.

The Banks may enter into derivatives with their customers, including Associations, as a service to enable customers to transfer, modify or reduce their interest rate risk by transferring this risk to the Bank. The Banks substantially offset the market risk by concurrently entering into offsetting agreements with non-System institutional counterparties.

A substantial amount of the System's assets are interest-earning assets (principally loans and investments) that tend to be medium-term floating-rate instruments, while the related interest-bearing liabilities tend to be short- or medium-term fixed-rate obligations. Given this asset-liability mismatch, interest rate swaps that pay floating rate and receive fixed rate (receive-fixed swaps) are used to reduce the impact of market fluctuations on net interest income. Because the size of swap positions needed to reduce the impact of market fluctuations varies over time, swaps that receive floating rate and pay fixed rate (pay-fixed swaps) are used to reduce net positions.

Interest rate options may be purchased in order to reduce the impact of rising interest rates on floating-rate debt (interest rate caps) or to reduce the impact of falling interest rates on floating-rate assets (interest rate floors).

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

The primary types of derivative instruments used and the amount of activity (notional amount of derivatives) during the six months ended June 30, 2024 and 2023 are summarized in the following tables:

	Receive-Fixed Swaps	Pay-Fixed and Amortizing Pay-Fixed Swaps	Floating-for-Floating and Amortizing Floating	Interest Rate Caps and Floors	Other Derivatives	Total
Balance at December 31, 2023.....	\$ 33,750	\$ 38,211	\$ 1,950	\$ 2,888	\$ 12,785	\$ 89,584
Additions.....	22,307	55,574	12,000	215	3,423	93,519
Maturities/amortization.....	(12,949)	(52,439)	(8,000)	(212)	(2,216)	(75,816)
Terminations.....	(182)	(650)		(10)	(842)	(1,684)
Balance at June 30, 2024.....	<u>\$ 42,926</u>	<u>\$ 40,696</u>	<u>\$ 5,950</u>	<u>\$ 2,881</u>	<u>\$ 13,150</u>	<u>\$105,603</u>

	Receive-Fixed Swaps	Pay-Fixed and Amortizing Pay-Fixed Swaps	Floating-for-Floating and Amortizing Floating	Interest Rate Caps and Floors	Other Derivatives	Total
Balance at December 31, 2022.....	\$ 32,445	\$ 37,399	\$ 8,800	\$ 3,460	\$ 12,023	\$ 94,127
Additions.....	29,024	69,784		358	8,286	107,452
Maturities/amortization.....	(17,080)	(72,074)	(7,650)	(636)	(7,491)	(104,931)
Terminations.....	(196)	(708)		(10)	(556)	(1,470)
Balance at June 30, 2023.....	<u>\$ 44,193</u>	<u>\$ 34,401</u>	<u>\$ 1,150</u>	<u>\$ 3,172</u>	<u>\$ 12,262</u>	<u>\$ 95,178</u>

Use of derivatives creates exposure to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, credit risk will equal the fair value gain in a derivative. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes us, thus creating a repayment (credit) risk. When the fair value of the derivative contract is negative, we owe the counterparty and, therefore, assume no repayment risk.

System institutions clear a significant portion of derivative transactions through a futures commission merchant (FCM) with a clearinghouse (i.e., a central counterparty (CCP)). When the swap is cleared by the two parties, the single bilateral swap is divided into two separate swaps with the CCP becoming the counterparty to both of the initial parties to the swap. CCPs have several layers of protection against default including margin, member capital contributions, and FCM guarantees of their customers' transactions with the CCP. FCMs also pre-qualify the counterparties to all swaps that are sent to the CCP from a credit perspective, setting limits for each counterparty and collecting initial and variation margin for changes in the value of cleared derivatives. The initial margin and

other amounts collected from both parties to the swap protects against credit risk in the event a counterparty defaults. The initial margin and other amounts are set by and held for the benefit of the CCP. Additional initial margin may be required and held by the FCM, due to its guarantees of its customers' trades with the CCP.

To minimize the risk of credit losses for non-cleared derivative transactions, credit standing and levels of exposure to individual counterparties are monitored and derivative transactions are almost exclusively entered into with non-customer counterparties that have an investment grade or better credit rating from a major rating agency. Nonperformance by any of these counterparties is not anticipated. System institutions typically enter into master agreements that govern all transactions with a counterparty, and contain netting provisions. These provisions require the net settlement of covered contracts with the same counterparty in the event of default by the counterparty on one or more contracts and also include bilateral collateral agreements requiring the exchange of collateral to offset credit risk exposure. In some instances, the bilateral exchange of

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

collateral is required by regulation, whereas in other instances it is based on dollar thresholds of exposure that consider a counterparty's creditworthiness.

The System had a net exposure to counterparties of \$91 million at June 30, 2024 and \$37 million at December 31, 2023.

Derivative activities are monitored by an Asset-Liability Management Committee (ALCO) at the various System institutions as part of its oversight of asset/liability and treasury functions. Each ALCO is responsible for approving hedging strategies that are developed within parameters established by the board of directors through analysis of data derived from financial simulation models and other internal and industry sources. The resulting hedging strategies are

then incorporated into the overall interest rate risk-management strategies.

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item (principally, debt securities) attributable to the hedged risk are recognized in current earnings. The System includes the gain or loss on the hedged items in the same line item (interest expense) as the offsetting loss or gain on the related interest rate swaps.

As of June 30, 2024 and December 31, 2023, the following amounts were recorded on the Condensed Combined Statement of Condition related to cumulative basis adjustments for fair value hedges:

	Carrying Amount of the Hedged Item	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Item
	June 30, 2024	June 30, 2024
Systemwide Debt Securities	\$ 32,152	\$ (182)*
	Carrying Amount of the Hedged Item	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Item
	December 31, 2023	December 31, 2023
Systemwide Debt Securities	\$ 33,307	\$ (125)*

* Excluded from these amounts are \$(8) million at June 30, 2024 and \$(13) million at December 31, 2023 of hedging adjustments on discontinued hedging relationships, which will be amortized over the remaining life of the original hedging relationships.

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Derivatives not Designated as Hedges

For derivatives not designated as a hedging instrument, the related change in fair value is recorded in current period earnings in "Net (losses) gains on derivative, investment and other transactions" in the Condensed Combined Statement of Income.

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

Fair Values of Derivative Instruments

The following table represents the fair value of derivative instruments:

	Balance Sheet Classification Assets	Fair Value June 30, 2024	Fair Value December 31, 2023	Balance Sheet Classification Liabilities	Fair Value June 30, 2024	Fair Value December 31, 2023
Derivatives designated as hedging instruments:						
Receive-fixed swaps	Other assets	\$ 12	\$ 84	Other liabilities	\$ 186	\$ 203
Pay-fixed and amortizing pay-fixed swaps	Other assets	178	92	Other liabilities	13	34
Interest rate caps and floors	Other assets	77	76			
Floating-for-floating and amortizing floating-for-floating swaps	Other assets	8	4	Other liabilities	2	3
Total derivatives designated as hedging instruments		275	256		201	240
Derivatives not designated as hedging instruments:						
Receive-fixed swaps				Other liabilities	1	
Pay-fixed and amortizing pay-fixed swaps	Other assets	10	9			
Derivatives entered into on behalf of customers	Other assets	773	666	Other liabilities	699	663
Total derivatives not designated as hedging instruments		783	675		700	663
Variation margin settlement		(268)	(44)			
Total derivatives		\$ 790	\$ 887		\$ 901	\$ 903

The following table sets forth the effect of derivative instruments in cash flow hedging relationships:

	Amount of Gain or (Loss) Recognized in OCI on Derivatives		Location of Gain or (Loss) Reclassification from AOCI into Income	Amount of Gain or (Loss) Reclassified from AOCI into Income	
	June 30, 2024	June 30, 2023		June 30, 2024	June 30, 2023
Derivatives — Cash Flow Hedging Relationships					
Pay-fixed and amortizing pay-fixed swaps	\$ 181	\$ 49	Interest expense	\$ 33	\$ 14
Floating-for-floating and amortizing floating-for-floating swaps	3	(5)	Interest expense	(1)	(2)
Interest rate caps and floors	61	(2)	Interest expense/ interest income	(6)	(5)
Foreign exchange contracts	13	6	Interest income		1
Total	\$ 258	\$ 48		\$ 26	\$ 8

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

The following table sets forth the effect of fair value and cash flow hedge accounting on the Condensed Combined Statement of Income:

	Location and Amount of Gain or Loss Recognized in Income on Fair Value and Cash Flow Hedging Relationships			
	For the Six Months Ended		For the Six Months Ended	
	June 30, 2024		June 30, 2023	
	Interest Income	Interest Expense	Interest Income	Interest Expense
Total amount of income and expense line items in which the effects of fair value or cash flow hedges are recorded	\$ 14,518	\$ 8,623	\$ 12,376	\$ 6,777
Effects of fair value and cash flow hedging:				
Fair value hedges:				
Receive-fixed swaps	(3)	53		(109)
Systemwide Debt Securities		(57)		106
Cash flow hedges:				
Pay-fixed and amortizing pay-fixed swaps		(33)		(14)
Floating-for-floating and amortizing floating-for-floating swaps		1		2
Derivatives entered into on behalf of customers				1
Interest rate caps and floors		6	1	6
Foreign exchange contracts			1	

The following table sets forth the amount of gains or losses recognized in the Condensed Combined Statement of Income related to derivatives not designated as hedging instruments:

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss)	For the Six Months Ended	
		June 30, 2024	June 30, 2023
Pay-fixed and amortizing pay-fixed swaps	Noninterest income	\$ 1	
Derivatives entered into on behalf of customers	Noninterest income	(8)	\$ 12
Total		\$ (7)	\$ 12

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

NOTE 12 — ASSET/LIABILITY OFFSETTING

The following tables represent the offsetting of financial assets and liabilities:

<u>June 30, 2024</u>	Gross Amounts Presented in the Condensed Combined Statement of Condition	Gross Amounts Not Offset in the Condensed Combined Statement of Condition			Net Amount
		Securities Received/ Pledged	Cash Collateral Received/Pledged	Cleared Derivative Initial Margin Pledged	
Assets:					
Interest rate swaps and other derivatives.....	\$ 790	\$ (61)	\$ (317)	\$ 117	\$ 529
Federal Funds sold and securities purchased under resale agreements	4,781	(3,240)			1,541
Liabilities:					
Interest rate swaps and other derivatives.....	901			(353)	548
<u>December 31, 2023</u>	Gross Amounts Presented in the Condensed Combined Statement of Condition	Gross Amounts Not Offset in the Condensed Combined Statement of Condition			Net Amount
		Securities Received/ Pledged	Cash Collateral Received/Pledged	Cleared Derivative Initial Margin Pledged	
Assets:					
Interest rate swaps and other derivatives.....	\$ 887	\$ (70)	\$ (297)	\$ 115	\$ 635
Federal Funds sold and securities purchased under resale agreements	7,462	(4,535)			2,927
Liabilities:					
Interest rate swaps and other derivatives.....	903			(246)	657

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

NOTE 13 — COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Banks and Associations have various commitments and contingent liabilities, such as certain letters of credit and commitments to extend credit, which are not reflected in the accompanying condensed combined financial statements. No material losses are anticipated as a result of these transactions.

A summary of the contractual amount of credit-related instruments is as follows:

	<u>June 30, 2024</u>
Commitments to extend credit	\$ 134,431
Standby letters of credit	3,868
Commercial and other letters of credit...	122
Equity investment commitments	460

On at least a quarterly basis, System institutions assess their liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. For matters where it is probable the institution will incur a loss and the amount can be reasonably estimated, the institution would establish an accrual for the loss. Once established, the accrual would be adjusted as appropriate to reflect any relevant developments. For matters where a loss is not probable or the amount of loss cannot be estimated, no accrual would be established.

At June 30, 2024, various lawsuits were pending or threatened against System institutions. Each System institution to which a pending or threatened lawsuit relates intends to vigorously defend against such action. In the opinion of management, based on information currently available and taking into account the advice of legal counsel, the ultimate liability, if any, of pending or threatened legal actions will not have a material adverse impact on the System's combined results of operations or financial condition.

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

NOTE 14 — COMBINING BANK-ONLY INFORMATION

The following condensed combining statements include the statement of condition, statement of comprehensive income and statement of changes in capital for the combined Banks without the affiliated Associations or other System institutions.

Combining Bank-Only Statement of Condition						
June 30, 2024						
	AgFirst Farm Credit Bank	AgriBank, FCB	Farm Credit Bank of Texas	CoBank, ACB	Combination Entries	Combined Banks
Assets						
Cash	\$ 637	\$ 1,387	\$ 61	\$ 286		\$ 2,371
Federal funds sold and securities purchased under resale agreements	940	1,600	339	1,902		4,781
Investments (Note 2)	8,108	22,264	6,853	38,661		75,886
Loans						
To Associations(1)	23,814	132,681	21,723	79,123		257,341
To others(2)	11,063	21,851	8,608	71,226	\$ (325)	112,423
Less: allowance for credit losses on loans	(27)	(37)	(35)	(684)		(783)
Net loans	34,850	154,495	30,296	149,665	(325)	368,981
Accrued interest receivable	160	1,674	158	1,074		3,066
Other assets	361	448	458	1,885	(53)	3,099
Total assets	<u>\$ 45,056</u>	<u>\$ 181,868</u>	<u>\$ 38,165</u>	<u>\$ 193,473</u>	<u>\$ (378)</u>	<u>\$ 458,184</u>
Liabilities and Capital						
Systemwide Debt Securities (Note 7):						
Due within one year	\$ 14,555	\$ 50,111	\$ 12,243	\$ 73,333		\$ 150,242
Due after one year	28,369	116,767	23,473	101,818		270,427
Total Systemwide Debt Securities	42,924	166,878	35,716	175,151		420,669
Accrued interest payable	297	1,154	240	1,435		3,126
Other liabilities	80	5,092	141	4,974	\$ (61)	10,226
Total liabilities	43,301	173,124	36,097	181,560	(61)	434,021
Capital						
Preferred stock			1,050	1,925		2,975
Capital stock and participation certificates	568	5,979	575	4,096	(327)	10,891
Additional paid-in-capital	64					64
Accumulated other comprehensive loss	(951)	(555)	(499)	(1,469)	(10)	(3,484)
Retained earnings	2,074	3,320	942	7,361	20	13,717
Total capital	1,755	8,744	2,068	11,913	(317)	24,163
Total liabilities and capital	<u>\$ 45,056</u>	<u>\$ 181,868</u>	<u>\$ 38,165</u>	<u>\$ 193,473</u>	<u>\$ (378)</u>	<u>\$ 458,184</u>

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

**Combining Bank-Only
Statement of Condition**

December 31, 2023

	AgFirst Farm Credit Bank	AgriBank, FCB	Farm Credit Bank of Texas	CoBank, ACB	Combination Entries	Combined Banks
Assets						
Cash	\$ 656	\$ 1,643	\$ 78	\$ 1,014		\$ 3,391
Federal funds sold and securities purchased under resale agreements	835	1,700	312	4,615		7,462
Investments (Note 2)	8,651	22,112	6,610	38,343		75,716
Loans						
To Associations(1)	23,151	126,013	20,968	77,524		247,656
To others(2)	11,175	22,712	8,758	70,491	\$ (324)	112,812
Less: allowance for credit losses on loans	(39)	(32)	(38)	(730)		(839)
Net loans	34,287	148,693	29,688	147,285	(324)	359,629
Accrued interest receivable	163	1,590	147	1,038		2,938
Other assets	394	685	448	2,064	(149)	3,442
Total assets	<u>\$ 44,986</u>	<u>\$ 176,423</u>	<u>\$ 37,283</u>	<u>\$ 194,359</u>	<u>\$ (473)</u>	<u>\$ 452,578</u>
Liabilities and Capital						
Systemwide Debt Securities (Note 7):						
Due within one year	\$ 13,965	\$ 49,105	\$ 11,185	\$ 74,111		\$ 148,366
Due after one year	28,719	113,248	23,948	101,252		267,167
Total Systemwide Debt Securities	42,684	162,353	35,133	175,363		415,533
Accrued interest payable	237	1,028	205	1,396		2,866
Other liabilities	382	4,459	258	6,407	\$ (157)	11,349
Total liabilities	43,303	167,840	35,596	183,166	(157)	429,748
Capital						
Preferred stock		250	750	1,625		2,625
Capital stock and participation certificates	562	5,846	578	4,076	(329)	10,733
Additional paid-in-capital	64					64
Accumulated other comprehensive loss	(893)	(652)	(522)	(1,524)	(11)	(3,602)
Retained earnings	1,950	3,139	881	7,016	24	13,010
Total capital	1,683	8,583	1,687	11,193	(316)	22,830
Total liabilities and capital	<u>\$ 44,986</u>	<u>\$ 176,423</u>	<u>\$ 37,283</u>	<u>\$ 194,359</u>	<u>\$ (473)</u>	<u>\$ 452,578</u>

- (1) These loans represent direct loans to Associations, not retail loans to borrowers. Since the Associations operate under regulations that require maintenance of certain minimum capital levels, adequate reserves, and prudent underwriting standards, these loans are considered to carry less risk. Accordingly, these loans typically have little or no associated allowance for credit losses. The majority of the credit risk resides with the Banks' and Associations' retail loans to borrowers. Association retail loans are not reflected in the combining Bank-only financial statements.

Further, the loans to the Associations are risk-weighted at 20% of the loan amount in the computation of each Bank's regulatory risk-adjusted capital ratios. Based upon the lower risk-weighting of these loans to the Associations, the Banks, especially AgFirst, AgriBank and Texas, typically operate with more leverage and lower earnings than would be expected from a traditional retail bank. In the case of CoBank, approximately 50% of its loans are retail loans to cooperatives and other eligible borrowers.

- (2) Loans to others represent retail loans held by the Banks. The Banks may purchase participations in loans to eligible borrowers made by Associations, other Banks and non-System lenders.

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

**Combining Bank-Only
Statement of Comprehensive Income**

For the Six Months Ended June 30,

	AgFirst Farm Credit Bank	AgriBank, FCB	Farm Credit Bank of Texas	CoBank, ACB	Combination Entries	Combined Banks
2024						
Interest income	\$ 951	\$ 3,669	\$ 808	\$ 4,865	\$ (6)	\$ 10,287
Interest expense	(775)	(3,208)	(638)	(3,912)	26	(8,507)
Net interest income	176	461	170	953	20	1,780
Credit loss reversal (provision for credit losses)	10	(8)	(7)	23		18
Noninterest income	63	58	10	250	(75)	306
Noninterest expense	(117)	(104)	(74)	(279)	(23)	(597)
Provision for income taxes				(91)		(91)
Net income	132	407	99	856	(78)	1,416
Other comprehensive income (loss)	(58)	97	23	55	1	118
Comprehensive income	<u>\$ 74</u>	<u>\$ 504</u>	<u>\$ 122</u>	<u>\$ 911</u>	<u>\$ (77)</u>	<u>\$ 1,534</u>
2023						
Interest income	\$ 815	\$ 2,733	\$ 687	\$ 4,252	\$ (4)	\$ 8,483
Interest expense	(562)	(2,266)	(518)	(3,337)	23	(6,660)
Net interest income	253	467	169	915	19	1,823
Provision for credit losses	(12)	(3)	(32)	(62)		(109)
Noninterest income	17	51	16	208	(66)	226
Noninterest expense	(123)	(93)	(75)	(290)	(20)	(601)
Provision for income taxes				(63)		(63)
Net income	135	422	78	708	(67)	1,276
Other comprehensive income (loss)		119	(31)	31	(2)	117
Comprehensive loss	<u>\$ 135</u>	<u>\$ 541</u>	<u>\$ 47</u>	<u>\$ 739</u>	<u>\$ (69)</u>	<u>\$ 1,393</u>

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

Combining Bank-Only
Statement of Changes in Capital
For the Six Months Ended June 30

	AgFirst Farm Credit Bank	AgriBank, FCB	Farm Credit Bank of Texas	CoBank, ACB	Combination Entries	Combined Banks
Balance at December 31, 2022	\$ 1,452	\$ 7,186	\$ 1,623	\$ 10,225	\$ (322)	\$ 20,164
Adjustment to beginning balance due to the change in accounting for credit losses ..	(16)	9	(8)	50		35
Balance at January 1, 2023	1,436	7,195	1,615	10,275	(322)	20,199
Comprehensive income	135	541	47	739	(69)	1,393
Preferred stock retired				(8)		(8)
Preferred stock dividends		(9)	(23)	(47)		(79)
Capital stock and participation certificates issued		238				238
Capital stock, participation certificates, and retained earnings retired		(7)	(2)	(192)	36	(165)
Patronage	(6)	(283)	(8)	(360)	62	(595)
Balance at June 30, 2023	<u>\$ 1,565</u>	<u>\$ 7,675</u>	<u>\$ 1,629</u>	<u>\$ 10,407</u>	<u>\$ (293)</u>	<u>\$ 20,983</u>
Balance at December 31, 2023	\$ 1,683	\$ 8,583	\$ 1,687	\$ 11,193	\$ (316)	\$ 22,830
Comprehensive income	74	504	122	911	(77)	1,534
Preferred stock issued, net			297	297		594
Preferred stock retired		(250)				(250)
Preferred stock dividends			(35)	(52)		(87)
Capital stock and participation certificates issued	12	181				193
Capital stock, participation certificates, and retained earnings retired	(6)	(48)	(3)	(46)	11	(92)
Patronage	(8)	(226)		(390)	65	(559)
Balance at June 30, 2024	<u>\$ 1,755</u>	<u>\$ 8,744</u>	<u>\$ 2,068</u>	<u>\$ 11,913</u>	<u>\$ (317)</u>	<u>\$ 24,163</u>

FARM CREDIT SYSTEM
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)
(unaudited)
(dollars in millions, except as noted)

Certain Bank-only ratios and other information is as follows:

	AgFirst Farm Credit Bank	AgriBank, FCB	Farm Credit Bank of Texas	CoBank, ACB
For the six months ended:				
<u>June 30, 2024</u>				
Return on average assets	0.60%	0.46%	0.53%	0.89%
Return on average capital	15.69%	9.60%	10.99%	14.92%
<u>June 30, 2023</u>				
Return on average assets	0.63%	0.53%	0.42%	0.75%
Return on average capital	16.85%	11.41%	9.40%	13.36%
For the period ended:				
<u>June 30, 2024</u>				
Nonperforming assets as a percentage of loans and other property owned	0.09%	0.11%	0.18%	0.12%
Allowance for credit losses on loans as a percentage of loans ..	0.08%	0.02%	0.12%	0.45%
Capital as a percentage of total assets	3.90%	4.81%	5.42%	6.16%
Tier 1 Leverage ratio	5.87%	5.10%	6.01%	6.93%
Total Capital ratio	15.1%	16.0%	14.2%	14.2%
Permanent Capital ratio	14.8%	16.0%	14.0%	13.5%
Liquidity in days	186	157	213	189
Average liquidity in days during 2024	199	159	201	186
<u>December 31, 2023</u>				
Nonperforming assets as a percentage of loans and other property owned	0.13%	0.05%	0.14%	0.08%
Allowance for credit losses on loans as a percentage of loans ..	0.11%	0.02%	0.13%	0.49%
Capital as a percentage of total assets	3.74%	4.87%	4.52%	5.76%
Tier 1 Leverage ratio	6.08%	5.24%	5.79%	6.79%
Total Capital ratio	15.7%	16.0%	13.4%	14.1%
Permanent Capital ratio	15.4%	15.9%	13.2%	13.4%
Liquidity in days	219	161	200	199
Average liquidity in days during 2023	205	160	189	186

Bank-only information is considered meaningful because only the Banks are jointly and severally liable for the payment of principal and interest on Systemwide Debt Securities. That means that each Bank is primarily liable for the payment of principal and interest on Systemwide Debt Securities issued to fund its lending activities and is also jointly and severally liable with respect to Systemwide Debt Securities issued to fund the other Banks.

The Associations are the primary owners of the Farm Credit Banks. The Agricultural Credit Bank (CoBank) is principally owned by cooperatives, other eligible borrowers and its affiliated Associations. Due to the financial and operational interdependence of the Banks and Associations, capital at the Association level reduces the Banks' credit exposure with respect to the direct loans between the Banks and each of their affiliated Associations. However, capital of the Associations may not be available if the provisions of

FARM CREDIT SYSTEM

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

joint and several liability were to be invoked. There are various limitations and conditions with respect to each Bank's access to the capital of its affiliated Associations, as more fully discussed in Note 8.

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 Insurance Corporation must expend amounts in the Insurance Fund to the extent available to insure 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 is triggered, the Farm Credit Administration 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 the aggregate of the Bank's 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. On making a call on non-defaulting Banks with respect to a Systemwide Debt Security issued on behalf of a defaulting Bank, the Farm Credit Administration is required to appoint the Insurance Corporation as the receiver for the defaulting Bank. The receiver would be required to expeditiously liquidate the Bank.

NOTE 15 — SUBSEQUENT EVENTS

The Banks and Associations have evaluated subsequent events through August 8, 2024, which is the date the financial statements were issued and determined that there were no other events requiring disclosure.

FARM CREDIT SYSTEM
SUPPLEMENTAL COMBINING INFORMATION
(unaudited)

The following condensed Combining Statements of Condition and Comprehensive Income present Combined Bank-only and Insurance Fund information, as well as information related to the other entities included in the System's combined financial statements. As part of the combining process, all significant transactions between the Banks and the Associations, including loans made by the Banks to

the Associations and the interest income/interest expense related thereto, and investments of the Associations in the Banks and the earnings related thereto, have been eliminated. These supplemental schedules have been prepared in accordance with the Farm Credit Administration regulations and are not intended to be presented in accordance with GAAP due to the exclusion of all required disclosures.

COMBINING STATEMENT OF CONDITION — (Condensed)
June 30, 2024
(in millions)

	Combined Banks	Combined Associations	Eliminations	Combined without Insurance Fund	Insurance Fund	System Combined
Cash and investments	\$ 83,038	\$ 7,962	\$ 3	\$ 91,003		\$ 91,003
Loans	369,764	294,205	(257,310)	406,659		406,659
Less: allowance for credit losses on loans	(783)	(853)		(1,636)		(1,636)
Net loans	368,981	293,352	(257,310)	405,023		405,023
Other assets	6,165	16,955	(12,722)	10,398		10,398
Restricted assets					\$ 7,637	7,637
Total assets	<u>\$458,184</u>	<u>\$ 318,269</u>	<u>\$ (270,029)</u>	<u>\$506,424</u>	<u>\$ 7,637</u>	<u>\$514,061</u>
Systemwide Debt Securities and subordinated debt	\$420,669	\$ 398		\$421,067		\$421,067
Other liabilities	13,352	262,337	\$ (259,541)	16,148		16,148
Total liabilities	<u>434,021</u>	<u>262,735</u>	<u>(259,541)</u>	<u>437,215</u>		<u>437,215</u>
Capital						
Preferred stock	2,975	707		3,682		3,682
Capital stock and participation certificates	10,891	482	(9,222)	2,151		2,151
Additional paid-in-capital	64	7,222		7,286		7,286
Restricted capital					\$ 7,637	7,637
Accumulated other comprehensive loss	(3,484)	(126)	(785)	(4,395)		(4,395)
Retained earnings	13,717	47,249	(481)	60,485		60,485
Total capital	<u>24,163</u>	<u>55,534</u>	<u>(10,488)</u>	<u>69,209</u>	<u>7,637</u>	<u>76,846</u>
Total liabilities and capital	<u>\$458,184</u>	<u>\$ 318,269</u>	<u>\$ (270,029)</u>	<u>\$506,424</u>	<u>\$ 7,637</u>	<u>\$514,061</u>

FARM CREDIT SYSTEM
SUPPLEMENTAL COMBINING INFORMATION - (continued)
(unaudited)

COMBINING STATEMENT OF CONDITION — (Condensed)
December 31, 2023
(in millions)

	Combined Banks	Combined Associations	Eliminations	Combined without Insurance Fund	Insurance Fund	System Combined
Cash and investments	\$ 86,569	\$ 7,014	\$ (96)	\$ 93,487		\$ 93,487
Loans	360,468	285,278	(247,570)	398,176		398,176
Less: allowance for credit losses on loans ..	(839)	(778)		(1,617)		(1,617)
Net loans	359,629	284,500	(247,570)	396,559		396,559
Other assets	6,380	16,952	(13,000)	10,332		10,332
Restricted assets					\$ 7,458	7,458
Total assets	<u>\$452,578</u>	<u>\$ 308,466</u>	<u>\$ (260,666)</u>	<u>\$500,378</u>	<u>\$ 7,458</u>	<u>\$507,836</u>
Systemwide Debt Securities and subordinated debt	\$415,533	\$ 398		\$415,931		\$415,931
Other liabilities	14,215	254,914	\$ (250,553)	18,576		18,576
Total liabilities	<u>429,748</u>	<u>255,312</u>	<u>(250,553)</u>	<u>434,507</u>		<u>434,507</u>
Capital						
Preferred stock	2,625	702		3,327		3,327
Capital stock and participation certificates	10,733	486	(9,078)	2,141		2,141
Additional paid-in-capital	64	7,222		7,286		7,286
Restricted capital					\$ 7,458	7,458
Accumulated other comprehensive loss	(3,602)	(108)	(807)	(4,517)		(4,517)
Retained earnings	13,010	44,852	(228)	57,634		57,634
Total capital	<u>22,830</u>	<u>53,154</u>	<u>(10,113)</u>	<u>65,871</u>	<u>7,458</u>	<u>73,329</u>
Total liabilities and capital	<u>\$452,578</u>	<u>\$ 308,466</u>	<u>\$ (260,666)</u>	<u>\$500,378</u>	<u>\$ 7,458</u>	<u>\$507,836</u>

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 Insurance Corporation must expend amounts in the Insurance Fund to the extent necessary to insure 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 timely pay the principal or interest on the insured debt obligation.

FARM CREDIT SYSTEM
SUPPLEMENTAL COMBINING INFORMATION - (continued)
(unaudited)

COMBINING STATEMENT OF COMPREHENSIVE INCOME — (Condensed)
For the Six Months Ended June 30, 2024
(in millions)

	Combined Banks	Combined Associations	Eliminations	Combined without Insurance Fund	Insurance Fund	Combination Entries	System Combined
Net interest income	\$ 1,780	\$ 4,090	\$ 25	\$ 5,895			\$ 5,895
(Provision for credit losses) credit loss reversal	18	(177)		(159)			(159)
Noninterest income	306	1,244	(1,033)	517	\$ 304	\$(308) (a)(b)	513
Noninterest expense	(597)	(2,023)	226	(2,394)	(2)	185 (a)	(2,211)
Provision for income taxes ..	(91)	(24)		(115)			(115)
Net income	1,416	3,110	(782)	3,744	302	(123)	3,923
Other comprehensive income (loss)	118	(18)	22	122			122
Comprehensive income	<u>\$ 1,534</u>	<u>\$ 3,092</u>	<u>\$ (760)</u>	<u>\$ 3,866</u>	<u>\$ 302</u>	<u>\$(123)</u>	<u>\$ 4,045</u>

For the Six Months Ended June 30, 2023
(in millions)

	Combined Banks	Combined Associations	Eliminations	Combined without Insurance Fund	Insurance Fund	Combination Entries	System Combined
Net interest income	\$ 1,823	\$ 3,744	\$ 32	\$ 5,599			\$ 5,599
Provision for credit losses	(109)	(298)		(407)			(407)
Noninterest income	226	1,222	(1,031)	417	\$ 379	\$(309) (a)	487
Noninterest expense	(601)	(1,943)	155	(2,389)	(2)	309 (a)	(2,082)
Provision for income taxes ..	(63)	(28)		(91)			(91)
Net income	1,276	2,697	(844)	3,129	377	0	3,506
Other comprehensive loss	117	6	36	159			159
Comprehensive income	<u>\$ 1,393</u>	<u>\$ 2,703</u>	<u>\$ (808)</u>	<u>\$ 3,288</u>	<u>\$ 377</u>	<u>\$ 0</u>	<u>\$ 3,665</u>

Combination entry (a) eliminates the Insurance Fund premiums, expensed by the Banks in the first six months of 2024 and 2023 of \$185 million and \$309 million and the related income recognized by the Insurance Corporation.

Combination entry (b) eliminates \$123 million of income recognized by System institutions for excess funds that were returned from the Insurance Corporation during the second quarter of 2024.

FARM CREDIT SYSTEM
SUPPLEMENTAL COMBINING INFORMATION - (continued)
(unaudited)

The Banks and their affiliated Associations are referred to as Districts. Each District operates in such an interdependent manner that we believe the financial results of the Banks combined with their affiliated Associations are more meaningful to investors in Systemwide Debt Securities than providing financial information of the Banks and Associations on a stand-

alone basis. For the purpose of additional analysis, the following presentation reflects each District, the Insurance Fund and combination entries. These schedules are not intended to be presented in accordance with GAAP due to the exclusion of all required disclosures.

STATEMENT OF CONDITION — (Condensed)
June 30, 2024
(in millions)

	AgFirst District Combined	AgriBank District Combined	Texas District Combined	CoBank District Combined	Insurance Fund and Combination Entries	System Combined
Cash and investments	\$ 9,818	\$ 30,877	\$ 7,452	\$ 42,856		\$ 91,003
Loans	41,411	170,595	38,242	162,667	\$ (6,256)	406,659
Less: allowance for credit losses on loans	(143)	(379)	(119)	(995)		(1,636)
Net loans	41,268	170,216	38,123	161,672	(6,256)	405,023
Other assets	958	4,103	1,221	4,500	(384)	10,398
Restricted assets					7,637	7,637
Total assets	<u>\$ 52,044</u>	<u>\$ 205,196</u>	<u>\$ 46,796</u>	<u>\$ 209,028</u>	<u>\$ 997</u>	<u>\$ 514,061</u>
Systemwide Debt Securities and subordinated debt	\$ 42,924	\$ 167,078	\$ 35,716	\$ 175,349		\$ 421,067
Other liabilities	2,039	7,154	4,971	7,919	\$ (5,935)	16,148
Total liabilities	<u>44,963</u>	<u>174,232</u>	<u>40,687</u>	<u>183,268</u>	<u>(5,935)</u>	<u>437,215</u>
Capital						
Preferred stock		100	1,330	2,252		3,682
Capital stock and participation certificates	188	428	155	1,935	(555)	2,151
Additional paid-in-capital	517	2,662	255	3,852		7,286
Restricted capital					7,637	7,637
Accumulated other comprehensive loss	(1,161)	(983)	(520)	(1,728)	(3)	(4,395)
Retained earnings	7,537	28,757	4,889	19,449	(147)	60,485
Total capital	<u>7,081</u>	<u>30,964</u>	<u>6,109</u>	<u>25,760</u>	<u>6,932</u>	<u>76,846</u>
Total liabilities and capital	<u>\$ 52,044</u>	<u>\$ 205,196</u>	<u>\$ 46,796</u>	<u>\$ 209,028</u>	<u>\$ 997</u>	<u>\$ 514,061</u>

FARM CREDIT SYSTEM
SUPPLEMENTAL COMBINING INFORMATION - (continued)
(unaudited)

STATEMENT OF CONDITION — (Condensed)
December 31, 2023
(in millions)

	AgFirst District Combined	AgriBank District Combined	Texas District Combined	CoBank District Combined	Insurance Fund and Combination Entries	System Combined
Cash and investments	\$ 10,250	\$ 30,001	\$ 7,194	\$ 46,042		\$ 93,487
Loans	40,750	165,792	37,721	160,022	\$ (6,109)	398,176
Less: allowance for credit losses on loans	(150)	(335)	(122)	(1,010)		(1,617)
Net loans	40,600	165,457	37,599	159,012	(6,109)	396,559
Other assets	977	4,169	1,114	4,572	(500)	10,332
Restricted assets					7,458	7,458
Total assets	<u>\$ 51,827</u>	<u>\$ 199,627</u>	<u>\$ 45,907</u>	<u>\$ 209,626</u>	<u>\$ 849</u>	<u>\$ 507,836</u>
Systemwide Debt Securities and subordinated debt	\$ 42,684	\$ 162,553	\$ 35,133	\$ 175,561		\$ 415,931
Other liabilities	2,334	7,208	5,277	9,701	\$ (5,944)	18,576
Total liabilities	<u>45,018</u>	<u>169,761</u>	<u>40,410</u>	<u>185,262</u>	<u>(5,944)</u>	<u>434,507</u>
Capital						
Preferred stock		350	1,030	1,947		3,327
Capital stock and participation certificates	185	408	155	1,928	(535)	2,141
Additional paid-in-capital	517	2,662	255	3,852		7,286
Restricted capital					7,458	7,458
Accumulated other comprehensive loss	(1,115)	(1,099)	(544)	(1,774)	15	(4,517)
Retained earnings	7,222	27,545	4,601	18,411	(145)	57,634
Total capital	<u>6,809</u>	<u>29,866</u>	<u>5,497</u>	<u>24,364</u>	<u>6,793</u>	<u>73,329</u>
Total liabilities and capital	<u>\$ 51,827</u>	<u>\$ 199,627</u>	<u>\$ 45,907</u>	<u>\$ 209,626</u>	<u>\$ 849</u>	<u>\$ 507,836</u>

FARM CREDIT SYSTEM
SUPPLEMENTAL COMBINING INFORMATION - (continued)
(unaudited)

STATEMENT OF COMPREHENSIVE INCOME — (Condensed)
For the Six Months Ended June 30,
(in millions)

	AgFirst District Combined	AgriBank District Combined	Texas District Combined	CoBank District Combined	Insurance Fund and Combination Entries	System Combined
2024						
Net interest income	\$ 650	\$ 2,435	\$ 584	\$ 2,207	\$ 19	\$ 5,895
(Provision for credit losses) credit loss reversal	1	(100)	(18)	(42)		(159)
Noninterest income	49	203	45	350	(134)	513
Noninterest expense	(357)	(919)	(264)	(831)	160	(2,211)
Provision for income taxes	(1)	(20)		(94)		(115)
Net income	342	1,599	347	1,590	45	3,923
Other comprehensive income (loss)	(46)	116	24	46	(18)	122
Comprehensive income	<u>\$ 296</u>	<u>\$ 1,715</u>	<u>\$ 371</u>	<u>\$ 1,636</u>	<u>\$ 27</u>	<u>\$ 4,045</u>
2023						
Net interest income	\$ 671	\$ 2,238	\$ 558	\$ 2,113	\$ 19	\$ 5,599
Provision for credit losses	(43)	(166)	(42)	(156)		(407)
Noninterest income	35	170	43	289	(50)	487
Noninterest expense	(364)	(920)	(267)	(817)	286	(2,082)
Provision for income taxes	(1)	(25)		(65)		(91)
Net income	298	1,297	292	1,364	255	3,506
Other comprehensive income (loss)	13	143	(30)	33		159
Comprehensive income	<u>\$ 311</u>	<u>\$ 1,440</u>	<u>\$ 262</u>	<u>\$ 1,397</u>	<u>\$ 255</u>	<u>\$ 3,665</u>

FARM CREDIT SYSTEM
SUPPLEMENTAL COMBINING INFORMATION - (continued)
(unaudited)

STATEMENT OF CHANGES IN CAPITAL — (Condensed)
For the Six Months Ended June 30
(in millions)

	AgFirst District Combined	AgriBank District Combined	Texas District Combined	CoBank District Combined	Insurance Fund and Combination Entries	System Combined
Balance at December 31, 2022	\$ 6,585	\$ 28,078	\$ 5,306	\$ 22,631	\$ 6,001	\$ 68,601
Adjustment to beginning balance due to the change in accounting for credit losses	23	46	(12)	98		155
Balance at January 1, 2023	6,608	28,124	5,294	22,729	6,001	68,756
Comprehensive income	311	1,440	262	1,397	255	3,665
Preferred stock issued, net				8		8
Capital stock and participation certificates issued	21	26	4	3	(2)	52
Capital stock, participation certificates, and retained earnings retired	(30)	(18)	(5)	(124)	32	(145)
Equity issued or recharacterized upon Association mergers	163	222		2,021		2,406
Equity retired or recharacterized upon Association mergers	(252)	(272)		(2,237)		(2,761)
Recharacterization of other comprehensive loss due to fair value adjustments related to the Association mergers				51		51
Patronage and dividends	(82)	(384)	(47)	(467)	111	(869)
Balance at June 30, 2023	<u>\$ 6,739</u>	<u>\$ 29,138</u>	<u>\$ 5,508</u>	<u>\$ 23,381</u>	<u>\$ 6,397</u>	<u>\$ 71,163</u>
Balance at December 31, 2023	\$ 6,809	\$ 29,866	\$ 5,497	\$ 24,364	\$ 6,793	\$ 73,329
Comprehensive income	296	1,715	371	1,636	27	4,045
Preferred stock issued (retired), net		(250)	297	302		349
Capital stock and participation certificates issued	15	39	4	23	(19)	62
Capital stock, participation certificates, and retained earnings retired	(12)	(19)	(4)	(73)	8	(100)
Patronage and dividends	(27)	(387)	(56)	(492)	123	(839)
Balance at June 30, 2024	<u>\$ 7,081</u>	<u>\$ 30,964</u>	<u>\$ 6,109</u>	<u>\$ 25,760</u>	<u>\$ 6,932</u>	<u>\$ 76,846</u>

FARM CREDIT SYSTEM
SUPPLEMENTAL FINANCIAL INFORMATION
(unaudited)

COMBINED BANK AND ASSOCIATION (DISTRICT)
SELECTED KEY FINANCIAL RATIOS

The following combined key financial ratios related to each District are intended for the purpose of additional analysis.

	AgFirst District Combined	AgriBank District Combined	Texas District Combined	CoBank District Combined
For the six months ended:				
<u>June 30, 2024</u>				
Return on average assets	1.33%	1.60%	1.50%	1.54%
Return on average capital	9.81%	10.55%	12.14%	12.70%
Net interest margin	2.58%	2.48%	2.59%	2.17%
Net loan charge-offs as a % of average loans	0.03%	0.06%	0.11%	0.09%
Operating expense as a % of net interest income and noninterest income	51.16%	34.81%	41.64%	32.09%
<u>June 30, 2023</u>				
Return on average assets	1.21%	1.43%	1.28%	1.34%
Return on average capital	8.73%	9.04%	10.75%	11.70%
Net interest margin	2.77%	2.52%	2.51%	2.11%
Net loan charge-offs as a % of average loans	0.06%	0.01%	0.08%	0.03%
Operating expense as a % of net interest income and noninterest income	51.52%	38.32%	44.50%	33.70%
At the period ended:				
<u>June 30, 2024</u>				
Nonperforming assets as a % of loans and other property owned	0.41%	0.65%	0.51%	0.68%
Allowance for credit losses on loans as a % of loans	0.35%	0.22%	0.31%	0.61%
Capital as a % of total assets	13.61%	15.09%	13.05%	12.32%
Capital and allowance for credit losses on loans as a % of loans	17.44%	18.37%	16.29%	16.45%
Debt to capital	6.35:1	5.63:1	6.66:1	7.11:1
<u>December 31, 2023</u>				
Nonperforming assets as a % of loans and other property owned	0.46%	0.47%	0.45%	0.41%
Allowance for credit losses on loans as a % of loans	0.37%	0.20%	0.32%	0.63%
Capital as a % of total assets	13.14%	14.96%	11.97%	11.62%
Capital and allowance for credit losses on loans as a % of loans	17.08%	18.22%	14.90%	15.86%
Debt to capital	6.61:1	5.68:1	7.35:1	7.60:1

FARM CREDIT SYSTEM
SUPPLEMENTAL FINANCIAL INFORMATION - (continued)
(unaudited)

The table below reflects the combined results of each District's measurement under market value of equity and net interest income sensitivity analysis in accordance with their respective asset/liability management policies and District limits. The upward and downward shocks are generally based on

movements of 100 and 200 basis points in interest rates, which are considered significant enough to capture the effects of embedded options and convexity within the assets and liabilities so that underlying risk may be revealed.

District	Change in Market Value of Equity				Change in Net Interest Income			
	June 30, 2024				June 30, 2024			
	-200	-100	+100	+200	-200	-100	+100	+200
AgFirst	12.95%	5.58%	-3.83%	-6.56%	4.08%	1.41%	2.61%	4.88%
AgriBank	8.32	3.81	-4.27	-8.44	-3.85	-1.59	3.16	4.23
Texas	10.05	4.64	-3.84	-7.12	-3.77	-2.18	2.52	4.81
CoBank	5.43	2.79	-2.67	-5.21	0.01	-0.07	0.51	0.94

District	Change in Market Value of Equity				Change in Net Interest Income			
	December 31, 2023				December 31, 2023			
	-200	-100	+100	+200	-200	-100	+100	+200
AgFirst	13.40%	5.95%	-4.34%	-7.59%	2.43%	0.90%	2.63%	5.07%
AgriBank	9.09	4.16	-3.97	-7.88	-5.33	-2.48	3.95	5.74
Texas	12.19	5.64	-4.68	-8.57	-2.79	-1.47	1.78	3.36
CoBank	5.22	2.70	-2.68	-5.28	-1.00	-0.60	1.05	2.03

FARM CREDIT SYSTEM
SUPPLEMENTAL FINANCIAL INFORMATION - (continued)
(unaudited)

SELECTED ASSOCIATION KEY FINANCIAL INFORMATION

The Banks serve as financial intermediaries between the capital markets and the retail lending activities of their affiliated Associations. Accordingly, in addition to the supplemental District information

provided on pages F-59 to F-62, selected financial information regarding Associations with asset size greater than \$2 billion is provided below for the purpose of additional analysis.

	At June 30, 2024					For the Six Months Ended June 30, 2024		
	Total Assets	Gross Loans	Allowance for Credit Losses on Loans as a % of Gross Loans	Nonperforming Assets as a % of Gross Loans and Other Property Owned	Total Capital Ratio	Return on Average Assets	Return on Average Capital	Net Interest Margin
(\$ in millions)								
AgFirst District								
Horizon Farm Credit, ACA	\$ 7,050	\$ 6,859	0.28%	0.40%	15.89%	1.98%	10.89%	2.87%
AgSouth Farm Credit, ACA	4,507	4,338	0.40	0.41	17.53	2.54	13.56	3.95
AgCredit, ACA	3,343	3,180	0.24	0.28	19.00	2.27	14.23	2.67
First South Farm Credit, ACA	3,316	3,165	0.49	0.31	17.54	1.87	9.33	2.86
AgCarolina Farm Credit, ACA	2,804	2,700	0.51	0.40	17.25	2.53	13.22	3.61
Farm Credit of the Virginias, ACA	2,299	2,234	0.26	1.01	20.61	1.82	8.15	3.06
AgriBank District								
Farm Credit Services of America, ACA ...	44,372	40,273	0.16	0.32	14.21	2.08	11.63	2.66
Farm Credit Mid-America, ACA	37,274	33,261	0.14	0.80	15.12	1.62	9.46	2.47
Compeer Financial, ACA	33,034	29,250	0.43	1.18	13.62	1.57	10.21	2.51
AgCountry Farm Credit Services, ACA ...	14,851	14,068	0.18	0.42	14.44	2.03	10.66	2.87
GreenStone Farm Credit Services, ACA ...	13,377	12,669	0.31	0.37	15.41	2.31	12.33	2.72
Farm Credit Illinois, ACA	7,057	6,262	0.22	0.45	15.18	1.62	8.91	2.60
FCS Financial, ACA	6,821	6,408	0.21	0.38	14.84	2.00	10.82	2.72
AgHeritage Farm Credit Services, ACA ...	2,458	2,332	0.28	0.58	16.57	2.17	10.60	3.00
Texas District								
Capital Farm Credit, ACA	12,999	12,478	0.24	0.60	12.65	2.25	15.19	2.94
AgTexas Farm Credit Services	3,280	2,938	0.38	0.39	12.86	2.04	14.87	2.58
AgTrust, ACA	3,066	2,976	0.19	0.13	14.51	2.15	13.57	2.99
Texas Farm Credit Services	2,501	2,403	0.13	0.54	12.49	2.01	16.84	2.88
CoBank District								
AgWest Farm Credit, ACA	33,355	30,014	0.53	0.93	15.50	2.30	13.08	2.74
American AgCredit, ACA	21,964	20,733	0.09	1.81	13.52	1.98	11.89	2.82
Farm Credit East, ACA	12,351	11,930	0.64	0.30	16.37	2.63	14.24	3.09
Yosemite Farm Credit, ACA	4,736	4,519	0.23	1.87	14.45	2.35	13.76	3.14
Frontier Farm Credit, ACA	3,154	2,943	0.12	0.90	15.42	1.88	9.74	2.70
Golden State Farm Credit, ACA	2,592	2,442	0.76	1.94	15.05	1.83	10.42	3.18
Oklahoma AgCredit, ACA	2,125	2,008	0.19	1.25	15.19	1.74	9.86	2.79

FARM CREDIT SYSTEM
SUPPLEMENTAL FINANCIAL INFORMATION - (continued)
(unaudited)

SELECTED ASSOCIATION KEY FINANCIAL INFORMATION

	At December 31, 2023					For the Six Months Ended June 30, 2023		
	Total Assets	Gross Loans	Allowance for Credit Losses on Loans as a % of Gross Loans	Nonperforming Assets as a % of Gross Loans and Other Property Owned	Total Capital Ratio	Return on Average Assets	Return on Average Capital	Net Interest Margin
	(\$ in millions)							
AgFirst District								
Horizon Farm Credit, ACA	\$ 6,824	\$ 6,612	0.26%	0.45%	15.70%	2.23%	11.95%	2.93%
AgSouth Farm Credit, ACA	4,299	4,120	0.38	0.38	18.67	1.80	8.77	3.73
AgCredit, ACA	3,323	3,178	0.22	0.28	18.78	2.08	12.61	2.36
First South Farm Credit, ACA	3,189	3,031	0.46	0.28	17.82	1.90	9.42	2.56
AgCarolina Farm Credit, ACA	2,735	2,613	0.48	0.46	17.86	2.00	9.85	3.65
Farm Credit of the Virginias, ACA	2,248	2,177	0.25	1.23	21.15	1.67	7.34	2.83
AgriBank District								
Farm Credit Services of America, ACA ...	41,946	38,647	0.21	0.33	14.42	1.69	9.56	2.43
Farm Credit Mid-America, ACA	35,993	32,235	0.12	0.56	15.78	1.53	8.65	2.29
Compeer Financial, ACA	31,900	28,274	0.27	0.85	14.12	1.59	9.93	2.47
AgCountry Farm Credit Services, ACA ...	13,919	13,180	0.27	0.36	15.34	1.63	7.94	2.79
GreenStone Farm Credit Services, ACA ...	13,221	12,506	0.29	0.36	15.20	1.89	10.95	2.64
Farm Credit Illinois, ACA	6,785	6,039	0.17	0.29	16.13	1.65	7.99	2.67
FCS Financial, ACA	6,419	6,031	0.18	0.28	15.70	1.75	9.76	2.66
AgHeritage Farm Credit Services, ACA ...	2,257	2,125	0.28	0.44	16.41	1.82	9.25	2.81
Texas District								
Capital Farm Credit, ACA	12,588	12,121	0.25	0.49	13.25	2.50	16.60	2.97
AgTexas Farm Credit Services	3,264	2,920	0.41	0.76	13.04	2.00	14.59	2.56
AgTrust, ACA	2,913	2,831	0.29	0.41	15.54	1.92	11.64	2.74
Texas Farm Credit Services	2,454	2,365	0.10	0.64	13.29	2.11	18.03	2.67
CoBank District								
AgWest Farm Credit, ACA	32,672	29,189	0.51	0.55	15.67	2.12	11.74	2.91
American AgCredit, ACA	21,872	20,499	0.10	1.27	13.37	2.16	13.49	3.02
Farm Credit East, ACA	11,961	11,504	0.58	0.26	17.08	2.46	13.12	2.89
Yosemite Farm Credit, ACA	4,678	4,412	0.13	0.59	14.50	2.40	13.96	3.14
Frontier Farm Credit, ACA	3,097	2,926	0.29	0.55	15.60	1.58	7.80	2.61
Golden State Farm Credit, ACA	2,613	2,459	0.35	0.03	14.16	2.42	13.52	3.26
Oklahoma AgCredit, ACA	2,109	1,988	0.18	0.78	15.32	1.59	9.20	2.76

INDEX TO SUPPLEMENTAL INFORMATION

	<u>Page</u>
Controls and Procedures	S-2
Certifications	S-3
Farm Credit System Entities	S-5

CONTROLS AND PROCEDURES

As of June 30, 2024, managements of System institutions carried out an evaluation with the participation of the Funding Corporation's management, including the President and CEO and the Managing Director — Financial Management Division, of the effectiveness of the design and operation of their respective disclosure controls and procedures⁽¹⁾ with respect to the System's quarterly information statement. This evaluation is based on testing of the design and effectiveness of key internal controls, certifications and other information furnished by the principal executive officer and principal financial officer of each System institution, as well as incremental procedures performed by the Funding Corporation over the combining process. Based upon and as of the date of the Funding Corporation's evaluation, the President and CEO and the Managing Director — Financial Management Division concluded that the disclosure controls and procedures are effective in alerting them on a timely basis of any material information relating to the System that is required to be disclosed by the System in the annual and quarterly information statements it files or submits to the Farm Credit Administration.

There have been no significant changes in the System's internal control over financial reporting⁽²⁾ that occurred during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the System's internal control over financial reporting.

⁽¹⁾ For purposes of this discussion, "disclosure controls and procedures" are defined as controls and procedures of the System that are designed to ensure that the financial information required to be disclosed by the System in this quarterly information statement is recorded, processed, summarized and reported, within the time periods specified under the rules and regulations of the Farm Credit Administration.

⁽²⁾ For purposes of this discussion, "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the System's principal executive officers and principal financial officers, or persons performing similar functions, and effected by the System's boards of directors, managements and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the System's condensed combined financial statements for external purposes in accordance with generally accepted accounting principles and 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 System; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the System's condensed combined financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the System are being made only in accordance with authorizations of managements and directors of the System; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the System's assets that could have a material effect on the System's condensed combined financial statements.

CERTIFICATION

I, Theresa E. McCabe, certify that:

1. I have reviewed the *Second Quarter 2024 Quarterly Information Statement of the Farm Credit System*.
2. Based on my knowledge, this quarterly information statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly information statement.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly information statement, fairly present in all material respects the financial condition, results of operations and cash flows of the System as of, and for, the periods presented in this quarterly information statement.
4. The System's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures⁽¹⁾ and internal control over financial reporting⁽²⁾ for the System and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the System, including its combined entities, is made known to us by others within those entities, particularly during the period in which this quarterly information statement is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the System's disclosure controls and procedures and presented in this quarterly information statement our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly information statement based on such evaluation; and
 - (d) disclosed in this quarterly information statement any change in the System's internal control over financial reporting that occurred during the System's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the System's internal control over financial reporting.
5. The System's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the System's registered public accounting firm and the System Audit Committee:
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the System's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the System's internal control over financial reporting.



Theresa E. McCabe
President and CEO

Date: August 8, 2024

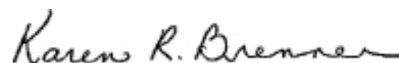
(1) See footnote 1 on page S-2.

(2) See footnote 2 on page S-2.

CERTIFICATION

I, Karen R. Brenner, certify that:

1. I have reviewed the *Second Quarter 2024 Quarterly Information Statement of the Farm Credit System*.
2. Based on my knowledge, this quarterly information statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly information statement.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly information statement, fairly present in all material respects the financial condition, results of operations and cash flows of the System as of, and for, the periods presented in this quarterly information statement.
4. The System's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures⁽¹⁾ and internal control over financial reporting⁽²⁾ for the System and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the System, including its combined entities, is made known to us by others within those entities, particularly during the period in which this quarterly information statement is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the System's disclosure controls and procedures and presented in this quarterly information statement our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly information statement based on such evaluation; and
 - (d) disclosed in this quarterly information statement any change in the System's internal control over financial reporting that occurred during the System's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the System's internal control over financial reporting.
5. The System's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the System's registered public accounting firm and the System Audit Committee:
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the System's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the System's internal control over financial reporting.



Karen R. Brenner
Managing Director — Financial
Management Division

Date: August 8, 2024

(1) See footnote 1 on page S-2.

(2) See footnote 2 on page S-2.

FARM CREDIT SYSTEM ENTITIES (As of June 30, 2024)

BANKS

AgFirst Farm Credit Bank
P.O. Box 1499
Columbia, SC 29202-1499
(803) 799-5000

AgriBank, FCB
30 East 7th Street
Suite 1600
St. Paul, MN 55101-4914
(651) 282-8800

CoBank, ACB
P.O. Box 5110
Denver, CO 80217-5110
(303) 740-4000

Farm Credit Bank of Texas
P.O. Box 202590
Austin, TX 78720-2590
(512) 465-0400

CERTAIN OTHER ENTITIES

Farm Credit Leasing Services Corporation
1665 Utica Avenue South, Suite 400
Minneapolis, MN 55416
(952) 417-7800

Federal Farm Credit Banks
Funding Corporation
101 Hudson Street, Suite 3505
Jersey City, NJ 07302-3913
(201) 200-8000

FCS Building Association
1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000

The Farm Credit Council
50 F Street, N.W., Suite 900
Washington, DC 20001-1530
(202) 626-8710

ASSOCIATIONS

AgFirst District

AgCarolina Farm Credit, ACA
636 Rock Spring Road
Greenville, NC 27834

AgCredit, ACA
610 W. Lytle Street
Fostoria, OH 44830-3422

AgGeorgia Farm Credit, ACA
468 Perry Parkway
Perry, GA 31069

AgSouth Farm Credit, ACA
146 Victory Lane
Statesville, NC 28625

ArborOne, ACA
800 Woody Jones Blvd.
Florence, SC 29501

Central Kentucky, ACA
2429 Members Way
Lexington, KY 40504

Colonial Farm Credit, ACA
7104 Mechanicsville Turnpike
Mechanicsville, VA 23111

Farm Credit of Central Florida, ACA
204 E. Orange Street, Suite 200
Lakeland, FL 33801

Farm Credit of Florida, ACA
11903 Southern Blvd.
Suite 200
West Palm Beach, FL 33411

Farm Credit of Northwest Florida, ACA
5052 Highway 90 East
Marianna, FL 32446

Farm Credit of the Virginias, ACA
102 Industry Way
Staunton, VA 24401

First South Farm Credit, ACA
574 Highland Colony Parkway,
Suite 100
Ridgeland, MS 39157

Horizon Farm Credit, ACA
300 Winding Creek Blvd
Mechanicsburg, PA 17050

Puerto Rico Farm Credit, ACA
213 Domenech Avenue
San Juan, PR 00918

River Valley AgCredit, ACA
2731 Olivet Church Road
Paducah, KY 42001

Southwest Georgia Farm Credit, ACA
305 Colquitt Highway
Bainbridge, GA 39817

AgriBank District

AgCountry Farm Credit Services, ACA
1900 44th Street South, #6020
Fargo, ND 58108

AgHeritage Farm Credit Services, ACA
119 East Third Street, Suite 200
Little Rock, AR 72201

Compeer Financial, ACA
2600 Jenny Wren Trail
Sun Prairie, WI 53590

FCS Financial, ACA
1934 East Miller Street
Jefferson City, MO 65101

Farm Credit Illinois, ACA
1100 Farm Credit Drive
Mahomet, IL 61853

Farm Credit Mid-America, ACA
12501 Lakefront Place
Louisville, KY 40299

Farm Credit Services of America, ACA
5015 South 118th Street
Omaha, NE 68137

Farm Credit Services of Mandan, ACA
1600 Old Red Trail
Mandan, ND 58554

Farm Credit Services of Western Arkansas, ACA
3115 West 2nd Court
Russellville, AR 72801

Farm Credit Southeast Missouri, ACA
1116 N. Main Street
Sikeston, MO 63801

GreenStone Farm Credit Services, ACA
3515 West Road
East Lansing, MI 48823

CoBank District

AgWest Farm Credit, ACA
2001 South Flint Road
Spokane, WA 99224

American AgCredit, ACA
400 Aviation Boulevard
Suite 100
Santa Rosa, CA 95403

Farm Credit East, ACA
240 South Road
Enfield, CT 06082

Farm Credit of Southern Colorado, ACA
5110 Edison Avenue
Colorado Springs, CO 80915

Farm Credit of Western Kansas, ACA
1190 South Range Avenue
Colby, KS 67701

Farm Credit of Western Oklahoma, ACA
3302 Williams Avenue
Woodward, OK 73801

Farm Credit Services of Colusa-Glenn, ACA
2970 Davison Court
Colusa, CA 95932

Fresno-Madera Farm Credit, ACA
4635 West Spruce Ave.
Fresno, CA 93722

Frontier Farm Credit, ACA
2009 Vanesta Place
Manhattan, KS 66503

Golden State Farm Credit, ACA
3013 Ceres Avenue
Chico, CA 95973

High Plains Farm Credit, ACA
605 Main
Larned, KS 67550

Idaho AgCredit, ACA
188 West Judicial Street
Blackfoot, ID 83221

Oklahoma AgCredit, ACA
3033 Progressive Drive
Edmond, OK 73034

Premier Farm Credit, ACA
202 Poplar Street
Sterling, CO 80751

Western AgCredit, ACA
10980 South Jordan Gateway
South Jordan, UT 84095

Yosemite Farm Credit, ACA
806 West Monte Vista Avenue
Turlock, CA 95382

Texas District

AgTexas Farm Credit Services
5004 N. Loop 289
Lubbock, TX 79416

AgTrust, ACA
1611 Summit Avenue, Suite 325
Fort Worth, TX 76102

Alabama Ag Credit, ACA
7480 Halcyon Pointe Drive, Suite 201
Montgomery, AL 36117

Alabama Farm Credit, ACA
300 2nd Avenue SW
Cullman, AL 35055

Capital Farm Credit, ACA
3000 Briarcrest Drive, Suite 601
Bryan, TX 77802

Central Texas Farm Credit, ACA
1026 Early Boulevard
Early, TX 76802

Heritage Land Bank, ACA
4608 Kinsey Drive, Suite 100
Tyler, TX 75703

Legacy Ag Credit, ACA
303 Connally Street
Sulphur Springs, TX 75482

Louisiana Land Bank, ACA
2413 Tower Drive
Monroe, LA 71201

Mississippi Land Bank, ACA
5509 Highway 51 North
Senatobia, MS 38668

Plains Land Bank, FLCA
5625 Fulton Drive
Amarillo, TX 79109

Southern AgCredit, ACA
306 Commerce Center Drive
Ridgeland, MS 39157

Texas Farm Credit Services
545 South Highway 77
Robstown, TX 78380