



# FARM CREDIT

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**SECOND QUARTER 2022 QUARTERLY INFORMATION  
STATEMENT OF THE FARM CREDIT SYSTEM**

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

**AUGUST 9, 2022**

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 the supplement dated March 1, 2022.

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.

#### **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 Theresa E. McCabe Karen R. Brenner*

Matthew D. Walther  
Chairman of the Board

Theresa E. McCabe  
President and CEO

Karen R. Brenner  
Managing Director — Financial  
Management Division

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### 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 for the current fiscal year and the two preceding fiscal years, 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 [www.farmcreditfunding.com](http://www.farmcreditfunding.com). Other information regarding the System can be found at [www.farmcredit.com](http://www.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 — [www.agfirst.com](http://www.agfirst.com)
- AgriBank, FCB — [www.agribank.com](http://www.agribank.com)
- CoBank, ACB — [www.cobank.com](http://www.cobank.com)
- Farm Credit Bank of Texas — [www.farmcreditbank.com](http://www.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

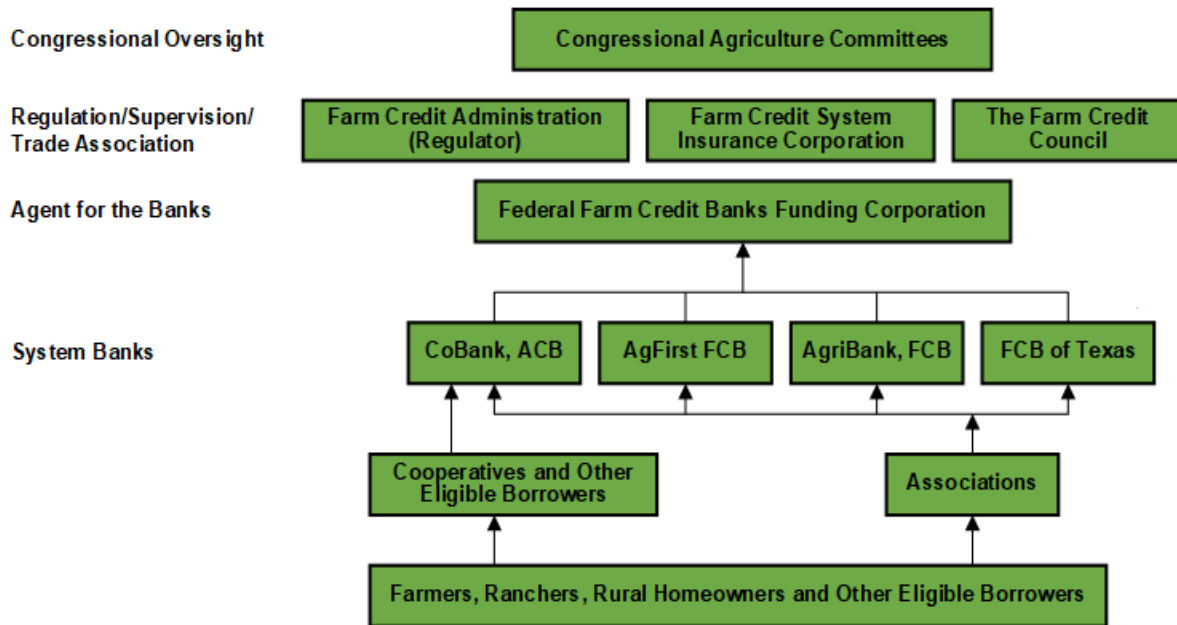
The Farm Credit System is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. Cooperatives are organizations that are owned and controlled by their members who use the cooperatives' products or services. The U.S. Congress authorized 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.

Congress established the Farm Credit Administration as the System's independent federal regulator to examine and regulate System institutions, including their safety and soundness. System institutions are federal instrumentalities.

### 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.

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.

The Banks jointly own the Funding Corporation. The Funding Corporation, as agent for the Banks,

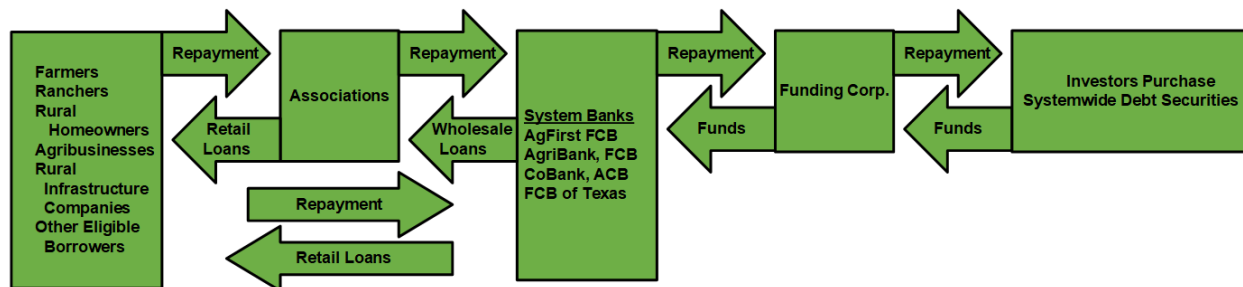
**Systemwide Debt Securities are the general unsecured joint and several obligations of the Banks. Systemwide Debt Securities are not obligations of and are not guaranteed by the United States government. In addition, Systemwide Debt Securities are not the direct obligations of the Associations and, 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. Other less significant sources of funding for the Banks and the Associations include internally generated earnings, the issuance of common and preferred equities 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. The repayment of Systemwide Debt Securities is dependent upon the ability of borrowers to repay their loans from the Associations. 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 also dependent upon the ability of these borrowers to repay their loans.

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.



**Overview of the Business**

As required by the 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, 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 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, 2022, 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. In addition, CoBank, as the Agricultural Credit Bank, 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 equities.

### ***Associations***

At June 30, 2022, the System was comprised of 65 Associations throughout the United States and the Commonwealth of Puerto Rico. As a result of a merger involving two Associations on July 1, 2022, there are currently 64 Associations, 63 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 equities and subordinated debt.

### ***Farm Credit Insurance Fund***

As more fully discussed on page 23 in the *2021 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 *2021 Annual Information Statement*.

### **Governance — Code of Ethics**

Each Bank and the Funding Corporation have adopted codes 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 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 2022. A copy of the Funding Corporation's code of ethics related to the preparation of the System's quarterly and annual information statements can be accessed on the Funding Corporation's website at [www.farmcreditfunding.com](http://www.farmcreditfunding.com). Each Bank's code of ethics includes similar content and can be accessed through each of their respective websites listed on page 2.

### **Risk Factors**

There have been no material changes to the risk factors previously disclosed in the System's *2021 Annual Information Statement*.

## **OTHER BUSINESS MATTERS**

### **Legal Proceedings**

On February 2, 2022, a complaint was filed in the United States District Court for the Southern District of New York by purported beneficial owners of AgriBank's 9.125% subordinated notes originally scheduled to mature in 2019 ("Subordinated Notes"). AgriBank redeemed the Subordinated Notes at par plus accrued interest on July 15, 2016 due to the occurrence of a Regulatory Event (as defined under the terms of the Subordinated Notes). The plaintiffs have asserted a breach of contract claim and a breach of implied covenant of good faith and fair dealing claim alleging that AgriBank impermissibly redeemed the Subordinated Notes. On June 20, 2022, AgriBank entered into a settlement agreement with the Plaintiffs on all claims and the case was dismissed.

At June 30, 2022, various other 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, 2021 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, 2022 and 2021 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.

	June 30,		December 31,		
	2022	2021	2021	2020	2019
	(unaudited)				
<b>Combined Statement of Condition Data</b>	(in millions)				
Loans .....	\$ 357,306	\$ 323,181	\$ 343,929	\$ 315,490	\$ 286,964
Allowance for loan losses .....	(1,614)	(1,781)	(1,632)	(1,796)	(1,806)
Net loans .....	355,692	321,400	342,297	313,694	285,158
Cash, Federal funds sold and investments .....	87,139	73,936	80,816	74,210	68,266
Accrued interest receivable .....	2,716	2,435	2,560	2,585	2,864
Other property owned .....	26	41	39	37	72
Total assets .....	456,271	407,831	435,957	400,693	365,359
Systemwide bonds .....	351,198	311,161	328,488	299,064	274,454
Systemwide medium-term notes .....	64	81	64	81	86
Systemwide discount notes .....	23,550	17,593	24,271	23,510	18,998
Subordinated debt .....	398	400	398		
Other bonds .....	3,938	2,745	3,623	2,559	1,961
Total liabilities .....	387,343	339,478	366,480	335,158	303,629
Capital .....	68,928	68,353	69,477	65,535	61,730

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2022	2021	2021	2020	2019
	(unaudited)				
<b>Combined Statement of Income Data</b>	(in millions)				
Net interest income .....	\$ 5,179	\$ 4,821	\$ 9,764	\$ 9,046	\$ 8,266
(Provision for loan losses) loan loss reversal .....	(1)	30	152	(107)	(169)
Net noninterest expense .....	(1,518)	(1,316)	(2,959)	(2,765)	(2,548)
Income before income taxes .....	3,660	3,535	6,957	6,174	5,549
Provision for income taxes .....	(93)	(94)	(161)	(172)	(103)
Net income .....	<u>\$ 3,567</u>	<u>\$ 3,441</u>	<u>\$ 6,796</u>	<u>\$ 6,002</u>	<u>\$ 5,446</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,		
	2022	2021	2021	2020	2019
Return on average assets .....	1.59%	1.69%	1.66%	1.57%	1.54%
Return on average capital .....	10.30	10.27	9.94	9.26	8.91
Net interest income as a percentage of average earning assets .....	2.38	2.46	2.46	2.46	2.42
Operating expense as a percentage of net interest income and noninterest income .....	33.9	32.8	35.3	35.9	36.2
Net loan charge-offs as a percentage of average loans ....	0.01	0.00	0.01	0.03	0.02

	June 30,		December 31,		
	2022	2021	2021	2020	2019
Nonperforming assets as a percentage of loans and other property owned .....	0.50%	0.58%	0.46%	0.60%	0.82%
Allowance for loan losses as a percentage of loans outstanding .....	0.45	0.55	0.47	0.57	0.63
Capital as a percentage of total assets .....	15.1	16.8	15.9	16.4	16.9
Capital as a percentage of total assets (excluding restricted assets and capital — Insurance Fund) .....	13.9	15.6	14.8	15.2	15.7
Capital and allowance for loan losses as a percentage of loans outstanding .....	19.7	21.7	20.7	21.3	22.1
Debt to capital .....	5.62:1	4.97:1	5.27:1	5.11:1	4.92:1

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

The System's *2021 Annual Information Statement* contains the December 31, 2021 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, 2022. This commentary should be read in conjunction with the *2021 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-49 through F-55). 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-49 through F-51 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 5 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 institutions 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 war in Ukraine, the elevated level of inflation, supply chain disruptions 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;
- uncertainties and risks associated with the continued impact of the COVID-19 pandemic, including its impact on the System's business, results of operations and financial condition including our various regulatory ratios such as capital and liquidity;
- 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, including interest rate increases;
- credit, interest rate and liquidity risk inherent in System institutions lending activities;
- the replacement of LIBOR and the implementation of Secured Overnight Financing Rate (SOFR) or other benchmark interest rates and a shifting interest rate environment;
- changes in assumptions for determining the allowance for loan losses, other-than-temporary impairment and fair value measurements; and
- outlooks for agricultural conditions.

## Overview

### *Business Outlook*

The ongoing effects of the COVID-19 pandemic continue to disrupt businesses and the global economy. The elevated level of inflation and recession pressures, rising interest rates, supply chain disruptions and labor shortages also pose a threat to the health of the U.S. economy and System borrowers. In addition, the war in Ukraine continues to presents a number of challenges not only from a humanitarian perspective but also with respect to the uncertain impact on the global economy.

### *General*

The System's combined net income increased \$126 million or 3.7% to \$3.567 billion for the first six months of 2022, as compared with net income of \$3.441 billion for the same period of 2021. The increase resulted from an increase in net interest

income of \$358 million, offset in part by an increase in noninterest expense of \$173 million and a decrease in noninterest income of \$29 million. Also offsetting the increase in net income was a provision for loan losses of \$1 million, as compared with a loan loss reversal of \$30 million for the six months ended June 30, 2021.

The System's net interest income increased 7.4% to \$5.179 billion for the first six months of 2022, as compared to the same period of 2021, primarily from a higher level of average earning assets driven largely by increased loan volume. The net interest margin decreased eight basis points to 2.38% for the first six months of 2022, as compared to the same period of the prior year. The decline in net interest margin resulted from a decrease in net interest spread of nine basis points to 2.24%, as compared to the first six months of 2021. The decrease in net interest spread was principally due to increasing debt costs in the rising interest rate environment and higher levels of liquidity investments, which have lower spreads commensurate with lower risk. The net interest margin was positively impacted by a one basis point increase in income earned on earning assets funded by noninterest-bearing sources (principally capital).

The System's loan portfolio increased \$13.377 billion or 3.9% to \$357.306 billion since year-end 2021. The increase primarily resulted from increases in real estate mortgage loans, loans to cooperatives and processing and marketing loans offset, in part, by a decrease in production and intermediate-term loans. The primary driver of the increase in real estate mortgage loans was financing for new and existing customers due to continued demand for fixed-rate financing before long-term rates began to rise. Loans to cooperatives increased primarily due to higher commodity prices that drove higher seasonal financing requirements at many grain and farm supply cooperatives as well as increased lending to other customers that use commodities as inputs to their businesses. Processing and marketing loans increased primarily due to increased draws on lines of credit by existing customers as a result of higher commodity prices. The decrease in production and intermediate-term loans was primarily driven by seasonal repayments.

The System's nonperforming assets (which consist of nonaccrual loans, accruing restructured, accruing loans 90 days or more past due and other property owned) increased \$191 million to \$1.769 billion at June 30, 2022, as compared with \$1.578 billion at December 31, 2021, representing 0.50% and 0.46% of total loans and other property owned for the corresponding periods.

## ***Funding***

The System continues to have reliable access to the debt capital markets to support its mission of providing credit to rural communities and agriculture. During the first six months of 2022, rising interest rates and interest rate volatility impacted funding costs and bond market sentiment overall. The Federal Reserve adjusted monetary policy due to persistent inflation by raising the Federal funds rate range by 150 basis points, signaled further increases were likely warranted and began the process of decreasing its holdings of U.S. Treasury and mortgage-backed securities. Anticipation of additional tightening of monetary policy conditions caused short-term Treasuries to increase in excess of 250 basis points while concerns about a potential recession and elevated geopolitical risks kept longer-term interest rates from increasing as much, leading to a flat, and at times over the second quarter, inverted Treasury yield curve.

The funding cost of all Systemwide debt increased in the second quarter. In particular, the funding spread over Treasuries for longer dated Systemwide debt increased due to the rate environment and yield curve while callable bond costs increased most significantly due to the rise in interest rate volatility.

## **Climate and Weather-Related Conditions**

During the first six months of 2022, nine severe weather and climate events impacted the United States according to the National Oceanic and Atmospheric Administration. Severe weather conditions due, in part, to a prolonged La Nina event have also impacted South American crop production, which impacts trade and demand for U.S. agricultural production. Additionally, global climate change mitigation policies have contributed to higher energy costs in some parts of the world. For example, nitrogen fertilizer production is highly sensitive to energy costs, particularly natural gas. As such, higher fertilizer costs result in lower profit margins for many crop producers.

According to the U.S. Drought Monitor, as of June 30, 2022, approximately 48% of the United States was experiencing moderate to exceptional drought, concentrated mainly in the Western, High Plains and Southern regions, as compared with approximately 55% as of December 31, 2021 and 47% as of June 30, 2021. A heat wave has been scorching much of the United States in July. The impact on agricultural production will vary depending on commodities produced in the areas most affected by

the severe heat and drought conditions. 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 and various other factors that affect supply and demand. The System utilizes the U.S. Department of Agriculture's (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. The USDA's September 2022 forecast will likely result in significant revisions to the forecasts. 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 4, 2022) estimates net farm income (income after expenses from production in the current year) of \$113.7 billion, a \$5.4 billion or 4.5% decrease from 2021, but \$23.7 billion above the 10-year average. This forecast does not take into account the rapidly evolving market conditions or the war in Ukraine. The forecasted decrease in net farm income for 2022 is primarily due to an expected increase in cash expenses of \$18.1 billion and a decrease in direct government payments of \$15.5 billion, partially offset by increases in cash receipts for animals and animal products of \$17.4 billion and crop receipts of \$12.0 billion. Cash expenses for feed and fertilizer-lime-soil conditioner purchases are expected to experience the largest dollar increases. Direct government payments are forecasted to decrease due to lower supplemental and ad hoc disaster assistance related to the COVID-19 pandemic, as compared with 2021. However, the USDA net farm income estimate does not include \$6 billion in Emergency Relief Program payments announced on May 16, 2022 to be disbursed to commodity and specialty crop producers impacted by 2020 and 2021 natural disasters. The increase in crop receipts reflects increases in soybeans, corn, cotton and wheat receipts, while the increase in animals and animal products receipts reflects growth in milk, cattle/calves, and broilers receipts.

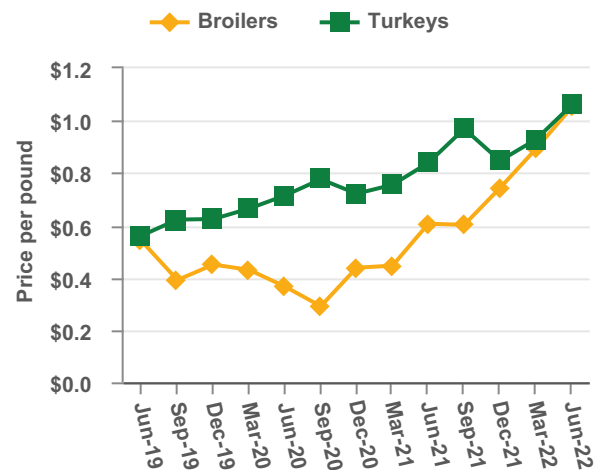
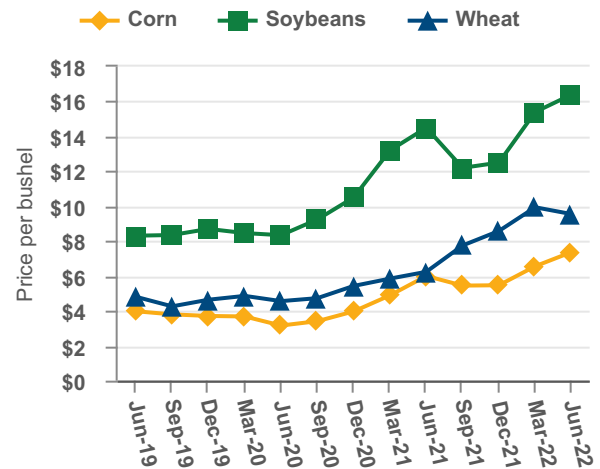
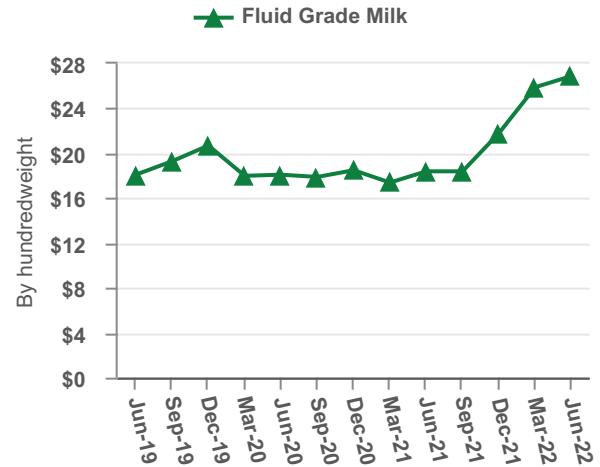
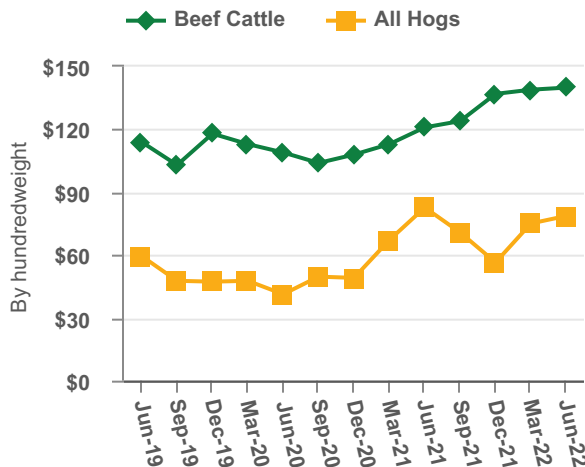
## Commodity Review

Expected agricultural commodity prices can influence production decisions of farmers and ranchers on planted/harvested acreage of crops or inventory of livestock and thus affect the supply of agricultural commodities. Greater area of planted/harvested acreage and increased yields for some crops in recent years have contributed to increased supply, but strong demand for crops has helped keep prices elevated. Also impacting yields are the growing conditions that are sensitive to weather conditions. Livestock and dairy profitability are influenced by crop prices as feed is a significant input to animal agriculture.

Global economic conditions and weather volatility in key agricultural production regions can influence demand for food and agricultural products, resulting in a shift in U.S. exports and imports to reflect changes in trade policies, world population and economic growth. Also impacting U.S. agricultural trade are global agricultural and commodity supplies and prices, changes in the value of the U.S. dollar and the government support for agriculture.

More recently, the war in Ukraine has had a significant impact on agricultural markets that could continue for the foreseeable future. Additionally, continued mitigation responses to the COVID-19 pandemic, including large scale lockdowns in China to control the spread of the disease, also create disruptions to global trade.

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, 2019 to June 30, 2022:



Commodity prices remained firm through the first half of 2022 as supply chain issues, rising input costs, South American production issues and the war in Ukraine have driven global supply concerns for some commodities. Specifically for crops, weather-related reduction in soybean production in South America and the loss of grain exports from Ukraine have tightened global crop supply prospects. The war in Ukraine is a significant market driver for crops given that Russia and Ukraine combined have historically constituted roughly 20% of global corn exports, 30% of global wheat exports and 75% of sunflower seed oil exports.

Although high crop prices present a challenge for livestock, dairy and poultry producers as feed is the highest variable expense to production, these producers generally have been resilient in the high feed cost environment due to several factors, including solid demand and restrained production. Disease pressure has reduced animal numbers in the poultry and hog sectors, providing the support for higher meat and egg prices. Avian influenza appeared in the U.S. migratory bird flyways in early 2022 for the first time since 2015. The majority of the outbreaks to date have occurred in layer flocks, which tightened supplies and supported elevated egg prices. Hog farms continue to cope with a respiratory disease that has kept hog herds smaller than expected and has supported elevated prices. The dairy herd also contracted during the fourth quarter of 2021 following a period of poor margins. The dairy herd has begun to show modest

expansion during the first half of 2022 following generally favorable returns for dairy products. Dairy margins are anticipated to remain favorable for most producers during the remainder of 2022. Beef cattle producers are likely to experience the most pressure in 2022 due to poor pasture conditions and high feed costs that have prompted the contraction of cattle herds.

To date, the System's financial results have remained in line with the favorable U.S. agricultural economic conditions coupled with various government support programs during the past few years. In an environment of less favorable agricultural economic conditions or without additional ad hoc government support programs, the System's financial performance and credit quality measures would likely be negatively impacted. A negative impact from these less favorable conditions could be mitigated, to some extent, by 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 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 \$190 million or 7.8% to \$2.619 billion and increased \$358 million or 7.4% to \$5.179 billion for the three and six months ended June 30, 2022, as compared with \$2.429 billion and \$4.821 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, 2022, 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.

	<b>For the Three Months Ended June 30, 2022 vs. 2021</b>			<b>For the Six Months Ended June 30, 2022 vs. 2021</b>		
	<b>Increase (decrease) due to</b>			<b>Increase (decrease) due to</b>		
	<b>Volume</b>	<b>Rate</b>	<b>Total</b>	<b>Volume</b>	<b>Rate</b>	<b>Total</b>
	(in millions)					
Interest income:						
Loans .....	\$ 340	\$ 157	\$ 497	\$ 632	\$ 89	\$ 721
Investments .....	35	52	87	47	40	87
Total interest income .....	375	209	584	679	129	808
Interest expense:						
Systemwide Debt Securities and other...	108	286	394	181	269	450
Changes in net interest income .....	<u>\$ 267</u>	<u>\$ (77)</u>	<u>\$ 190</u>	<u>\$ 498</u>	<u>\$ (140)</u>	<u>\$ 358</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, 2022		June 30, 2021		June 30, 2022		June 30, 2021	
	Average Balance	Annualized Rate	Average Balance	Annualized Rate	Average Balance	Annualized Rate	Average Balance	Annualized Rate
	(\$ in millions)							
<b>Assets</b>								
Real estate mortgage loans .....	\$ 167,627	4.13%	\$ 152,300	4.09%	\$ 166,347	4.07%	\$ 149,962	4.10%
Production and intermediate-term loans .....	56,890	3.73	54,632	3.47	56,914	3.55	54,385	3.47
Agribusiness loans .....	76,871	3.46	61,836	2.94	75,653	3.18	62,857	2.93
Rural infrastructure loans .....	38,530	3.50	35,512	3.18	38,145	3.29	35,404	3.19
Agricultural export finance loans ..	7,897	1.50	6,836	1.16	7,623	1.28	6,893	1.18
Rural residential real estate loans ..	6,884	3.75	6,874	3.79	6,867	3.74	6,890	3.84
Lease receivables .....	3,987	3.48	4,199	3.44	4,022	3.48	4,228	3.36
Loans to other financing institutions .....	974	1.69	898	1.55	966	1.56	883	1.56
Nonaccrual loans .....	1,113	7.65	1,409	7.75	1,127	7.27	1,437	6.49
Total loans .....	<u>360,773</u>	3.79	<u>324,496</u>	3.60	<u>357,664</u>	3.65	<u>322,939</u>	3.59
Federal funds sold, investments and other interest-earning assets ...	<u>81,058</u>	1.41	<u>69,995</u>	1.13	<u>77,379</u>	1.27	<u>69,661</u>	1.17
Total earning assets .....	441,831	3.35	394,491	3.16	435,043	3.22	392,600	3.16
Allowance for loan losses .....	(1,666)		(1,821)		(1,656)		(1,814)	
Other noninterest-earning assets ...	<u>15,312</u>		<u>15,395</u>		<u>15,934</u>		<u>15,313</u>	
Total assets .....	<u>\$ 455,477</u>		<u>\$ 408,065</u>		<u>\$ 449,321</u>		<u>\$ 406,099</u>	
<b>Liabilities and Capital</b>								
Systemwide bonds and medium-term notes .....	\$ 350,738	1.18%	\$ 309,468	0.87%	\$ 344,509	1.03%	\$ 305,827	0.89%
Systemwide discount notes .....	23,423	0.61	20,523	0.12	22,505	0.41	22,158	0.14
Other interest-bearing liabilities ...	<u>6,340</u>	0.76	<u>4,901</u>	0.49	<u>6,123</u>	0.65	<u>4,603</u>	0.43
Total interest-bearing liabilities ....	380,501	1.14	334,892	0.82	373,137	0.98	332,588	0.83
Noninterest-bearing liabilities .....	6,077		5,619		6,948		6,532	
Capital .....	<u>68,899</u>		<u>67,554</u>		<u>69,236</u>		<u>66,979</u>	
Total liabilities and capital .....	<u>\$ 455,477</u>		<u>\$ 408,065</u>		<u>\$ 449,321</u>		<u>\$ 406,099</u>	
Net interest spread(1) .....		2.21		2.34		2.24		2.33
Impact of noninterest-bearing sources .....		0.16		0.12		0.14		0.13
Net interest margin(2) .....		2.37%		2.46%		2.38%		2.46%

(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, 2022, as compared with the same periods of the prior year. The increase primarily resulted from a higher level of average earning assets, driven largely by increased loan volume and, to a lesser extent, growth in the liquidity investment portfolio. Average earning assets increased \$47.340 billion or 12.0% to

\$441.831 billion for the three months ended June 30, 2022 and increased \$42.443 billion or 10.8% to \$435.043 billion for the six months ended June 30, 2022, as compared with the same periods of 2021.

The net interest margin was 2.37% for the three months ended June 30, 2022, as compared with 2.46% for the same period of 2021. The net interest spread



decreased 13 basis points to 2.21% for the three months ended June 30, 2022 from the comparable prior year period and was partially offset by a four 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, 2022, the net interest margin was 2.38%, as compared with 2.46% for the same period of the prior year. The net interest margin was negatively impacted by a decrease in the net interest spread of nine basis points to 2.24% for the six months ended June 30, 2022, as compared with 2.33% for the same period of the prior year and was positively impacted by a one 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 2022 was principally due to increasing debt costs in the rising interest rate environment and higher levels of liquidity investments, which have lower spreads commensurate with lower risk.

#### ***Provision for Loan Losses***

The System recognized provisions for loan losses of \$6 million and \$1 million for the three and six months ended June 30, 2022, as compared with loan loss reversals of \$58 million and \$30 million for

#### ***Noninterest Income***

Noninterest income consisted of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Loan-related fee income .....	\$ 89	\$ 96	\$ 169	\$ 196
Financially-related services income .....	45	49	98	92
Mineral income .....	26	16	48	29
Income earned on Insurance Fund assets .....	16	13	28	25
Operating lease income .....	9	8	16	18
Losses on extinguishment of debt .....	(1)	(19)	(2)	(36)
Net (losses) gains on derivative and other transactions .....	(5)	11	(22)	20
Net (losses) gains on sales of investments and other assets .....	(5)	5	(1)	9
Other noninterest income .....	10	3	29	39
Total noninterest income .....	<u>\$ 184</u>	<u>\$ 182</u>	<u>\$ 363</u>	<u>\$ 392</u>

Noninterest income was relatively unchanged for the three months ended June 30, 2022 and decreased \$29 million or 7.4% to \$363 million for the six months ended June 30, 2022, as compared with the same periods of the prior year. The decrease for the six-month period was primarily due to net losses on derivative, investment and other transactions of \$23

the three and six months ended June 30, 2021. The provision for loan losses recorded by certain System institutions for the first six months of 2022 primarily reflected a higher level of overall agribusiness lending activity and specific reserves associated with a limited number of customers in the agribusiness and rural power sectors. Substantially offsetting these provisions for loan losses were loan loss reversals recorded by other System institutions primarily reflecting credit quality improvements and the reversal of specific reserves associated with a limited number of customers. The loan loss reversal for the first six months of 2021 primarily reflected credit quality improvements and the release of general reserves that were added in 2020 to address potential losses from the COVID-19 pandemic. Partially offsetting these loan loss reversals in 2021 were provisions for loan losses primarily reflecting a higher level of overall agribusiness lending activity and, to a lesser extent, the adverse impact of a severe weather event in Texas during the first quarter of 2021 affecting a limited number of rural power customers.

million for the first six months of 2022, as compared to net gains of \$29 million for the first six months of 2021 and a decrease in loan-related fee income of \$27 million, offset in part by a decrease in losses on extinguishment of debt of \$34 million and an increase in mineral income of \$19 million.

### *Noninterest Expense*

Noninterest expense increased \$68 million or 7.8% to \$943 million and increased \$173 million or 10.1% to \$1.881 billion for the three and six months ended June 30, 2022, as compared with the same periods of the prior year. Noninterest expense consisted of the following:

	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	(in millions)			
Salaries and employee benefits .....	\$ 575	\$ 540	\$ 1,164	\$ 1,066
Occupancy and equipment expense .....	73	74	150	150
Purchased services .....	76	71	146	134
Other operating expense .....	215	190	417	358
Total operating expense .....	939	875	1,877	1,708
Net losses on other property owned .....	4		4	
Total noninterest expense .....	<u>\$ 943</u>	<u>\$ 875</u>	<u>\$ 1,881</u>	<u>\$ 1,708</u>

The increase in noninterest expense for the three and six months ended June 30, 2022 was primarily due to increases in salaries and employee benefits and other operating expense. Salaries and employee benefits increased \$35 million and \$98 million for the three and six months ended June 30, 2022, as compared to the same periods of the prior year, as a result of annual merit and other pay increases to address inflation and tight labor markets as well as higher staffing levels at certain System institutions. To a lesser extent, a decrease in deferrals of loan origination costs contributed to the increase in salaries expense. Other operating expense increased \$25 million and \$59 million for the three and six months ended June 30, 2022, as compared to the same periods of the prior year, primarily due to increases in travel, training and member relations expenses as restrictions caused by the COVID-19 pandemic were eased and/or lifted, and higher technology expenses. Noninterest expense for the six-month period of 2022 was also impacted by a \$12 million increase in purchased services due to increases in consulting services related to information technology and various other business initiatives.

Operating expense statistics are as follows:

	<b>For the Six Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	(\$ in millions)	
Excess of net interest income over operating expense .....	\$ 3,302	\$ 3,113
Operating expense as a percentage of net interest income and noninterest income ..	33.9%	32.8%
Annualized operating expense as a percentage of average earning assets .....	0.86%	0.87%

### *Provision for Income Taxes*

Provisions for income taxes were \$45 million and \$93 million for the three and six months ended June 30, 2022, as compared with \$46 million and \$94 million for the same periods of the prior year. The effective tax rate decreased to 2.5% for the first six months of 2022 from 2.7% for the first six months of 2021 due to increased earnings attributable to non-taxable business activities and higher levels of patronage.

## **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 36.

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:

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

During the first six months of 2022, 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, 50 and 51 in the *2021 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. Beginning in the first quarter of 2022, the committee increased the threshold for monitoring large loan exposures to \$1.5 billion from \$1.25 billion. The increase in the exposure level reflects growth in 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, 2022, no exposure was above \$1.5 billion and at December 31, 2021, no exposure was above \$1.25 billion. Three exposures at June 30, 2022 exceeded \$1.125 billion and 14 exposures at December 31, 2021 exceeded \$937.5 million.

For a detailed discussion of our credit risk management practices, see pages 51 through 53 in the *2021 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 *2021 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, 2022	December 31, 2021
	(in millions)	
Real estate mortgage .....	\$ 169,063	\$ 164,535
Production and intermediate-term .....	58,448	62,620
Agribusiness:		
Processing and marketing .....	38,745	34,308
Loans to cooperatives .....	25,682	21,286
Farm-related business .....	5,950	5,053
Rural infrastructure:		
Power .....	24,337	23,621
Communication .....	11,258	10,272
Water/waste facilities .....	3,497	3,122
Agricultural export finance .....	8,305	7,079
Rural residential real estate .....	6,939	6,883
Lease receivables .....	4,040	4,165
Loans to other financing institutions .....	1,042	985
Total loans .....	<u>\$ 357,306</u>	<u>\$ 343,929</u>

Loan volume increased \$13.377 billion or 3.9% to \$357.306 billion at June 30, 2022, as compared with \$343.929 billion at December 31, 2021, primarily as a result of increases in real estate mortgage loans, loans to cooperatives and processing and marketing loans offset, in part, by a decrease in production and intermediate-term loans.

Real estate mortgage loans increased \$4.528 billion or 2.8% during the first six months of 2022. The primary driver of the increase was financing for new and existing customers due to continued demand for fixed-rate financing before long-term rates began to rise.

Production and intermediate-term loans decreased \$4.172 billion or 6.7%, as compared with December 31, 2021, primarily due to seasonal repayments.

Processing and marketing loans increased \$4.437 billion or 12.9%, as compared with December 31, 2021, primarily due to increased draws on lines of credit by existing customers as a result of higher commodity prices.

Loans to cooperatives increased \$4.396 billion or 20.7%, during the first six months of 2022, primarily

due to higher commodity prices that drove higher seasonal financing requirements at many grain and farm supply cooperatives as well as increased lending to other customers that use commodities as inputs to their businesses.

System institutions reduce credit risk through certain federal government guarantee programs, such as the Farm Service Agency and Small Business Administration. As of June 30, 2022 and December 31, 2021, \$9.090 billion and \$8.719 billion of loans had varying levels of federal government guarantees. 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 \$2.962 billion at June 30, 2022, of which \$2.396 billion was provided by Farmer Mac, as compared with total credit guarantees of \$3.049 billion at December 31, 2021, of which \$2.427 billion was provided by Farmer Mac. For additional information on Farmer Mac, see page 12 in the *2021 Annual Information Statement*.

### Nonperforming Assets

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

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<b>(in millions)</b>	
Nonaccrual loans:		
Real estate mortgage .....	\$ 580	\$ 610
Production and intermediate-term .....	343	290
Agribusiness .....	154	121
Rural infrastructure .....	86	98
Rural residential real estate .....	31	37
Lease receivables .....	20	20
Total nonaccrual loans .....	<u>1,214</u>	<u>1,176</u>
Accruing restructured loans:		
Real estate mortgage .....	158	170
Production and intermediate-term .....	48	48
Agribusiness .....	30	11
Rural residential real estate .....	28	23
Total accruing restructured loans .....	<u>264</u>	<u>252</u>
Accruing loans 90 days or more past due:		
Real estate mortgage .....	230	93
Production and intermediate-term .....	18	8
Agribusiness .....	2	2
Rural residential real estate .....	1	6
Lease receivables .....	14	4
Total accruing loans 90 days or more past due .....	<u>265</u>	<u>111</u>
Total nonperforming loans .....	<u>1,743</u>	<u>1,539</u>
Other property owned .....	26	39
Total nonperforming assets .....	<u>\$ 1,769</u>	<u>\$ 1,578</u>
	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Nonaccrual loans as a percentage of total loans .....	0.34%	0.34%
Nonperforming assets as a percentage of total loans and other property owned .....	0.50	0.46
Nonperforming assets as a percentage of capital .....	2.57	2.27

The following table presents the nonaccrual loan activity:

	<b>For the Six Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(in millions)</b>	
Balance at beginning of period.....	\$ 1,176	\$ 1,504
Additions:		
Gross amounts transferred into nonaccrual.....	412	455
Recoveries.....	17	26
Advances.....	69	77
Other, net.....	22	
Reductions:		
Charge-offs.....	(32)	(26)
Transfers to other property owned (book value).....	(24)	(19)
Returned to accrual status.....	(95)	(115)
Repayments.....	(331)	(469)
Other, net.....		(7)
Balance at end of period.....	<u>\$ 1,214</u>	<u>\$ 1,426</u>

Nonaccrual loans increased \$38 million or 3.2% during the first six months of 2022, primarily due to credit quality deterioration impacting a limited number of borrowers. Nonaccrual loans that were current as to principal and interest were 63.8% of total nonaccrual loans at June 30, 2022, as compared with 63.7% at December 31, 2021. Accruing loans 90 days or more past due increased \$154 million to \$265 million at June 30, 2022. This increase was primarily concentrated in USDA guaranteed loans and loans for crop inputs that generally contain recourse agreements with third parties. These loans are considered well secured and in the process of collection.

Loan delinquencies (accruing loans 30 days or more past due) as a percentage of accruing loans was 0.26% at June 30, 2022, as compared with 0.24% at June 30, 2021. Loans classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and accrued interest receivable was as follows:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Acceptable.....	96.5%	95.7%
Other assets especially mentioned.....	1.9	2.4
Substandard/doubtful.....	1.6	1.9
Total.....	<u>100.0%</u>	<u>100.0%</u>

#### *Allowance for Loan Losses*

The allowance for loan losses was \$1.614 billion at June 30, 2022 and \$1.632 billion at December 31, 2021. Net loan charge-offs of \$20 million and \$15 million were recorded during the three and six months ended June 30, 2022, respectively, as compared with net loan recoveries of \$12 million and \$7 million for the same periods of the prior year. The System's allowance for loan losses represents the aggregate of each System entity's individual evaluation of its allowance for loan losses requirements. Although aggregated in the System's condensed combined financial statements, the allowance for loan losses of each System entity is specific to that institution and is not available to absorb losses realized by other System entities. Managements' evaluations consider factors that include, among other things, loan loss experience, portfolio quality, loan portfolio composition, collateral value, current agricultural production conditions and economic conditions.

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. In general, System borrowers' financial positions have improved because of the rise in commodity prices and ad hoc government support provided in the past few years. Further, 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, 2022, \$423 million of the System's \$1.743 billion of nonperforming loans had specific reserves (representing probable losses) of \$128 million. The remaining \$1.320 billion of nonperforming loans were evaluated and determined not to need a specific reserve.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
	(\$ in millions)			
Balance at beginning of period	\$ 1,655	\$ 1,817	\$ 1,632	\$ 1,796
Charge-offs:				
Real estate mortgage	(1)	(1)	(3)	(3)
Production and intermediate-term	(3)	(11)	(6)	(18)
Agribusiness	(5)	(2)	(5)	(4)
Rural infrastructure	(19)		(19)	
Rural residential real estate			(1)	(1)
Total charge-offs	<u>(28)</u>	<u>(14)</u>	<u>(34)</u>	<u>(26)</u>
Recoveries:				
Real estate mortgage	1	1	2	2
Production and intermediate-term	6	10	15	16
Agribusiness	1	6	1	6
Rural infrastructure		9	1	9
Total recoveries	<u>8</u>	<u>26</u>	<u>19</u>	<u>33</u>
Net (charge-offs) recoveries	(20)	12	(15)	7
Provision for loan losses (loan loss reversal)	6	(58)	1	(30)
Adjustment due to Association mergers*			(8)	
Reclassification (to) from reserve for unfunded commitments**	<u>(27)</u>	<u>10</u>	<u>4</u>	<u>8</u>
Balance at end of period	<u>\$ 1,614</u>	<u>\$ 1,781</u>	<u>\$ 1,614</u>	<u>\$ 1,781</u>
Annualized ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	<u>(0.02)%</u>	<u>0.01%</u>	<u>(0.01)%</u>	<u>0.00%</u>

\* Represents the elimination of the allowance for loan losses in connection with Association mergers. See Note 7 to the accompanying combined financial statements.

\*\* Represents reclassifications between the allowance for loan losses and the reserve for unfunded commitments primarily as a result of advances on or repayments of seasonal lines of credit or other loans.



Allowance for loan losses by loan type is as follows:

	June 30, 2022		December 31, 2021	
	Amount	%	Amount	%
	(\$ in millions)			
Real estate mortgage .....	\$ 375	23.2%	\$ 415	25.4%
Production and intermediate-term .....	345	21.4	411	25.2
Agribusiness .....	608	37.7	526	32.2
Rural infrastructure .....	191	11.8	186	11.4
Agricultural export finance .....	28	1.7	25	1.5
Rural residential real estate .....	14	0.9	15	0.9
Lease receivables .....	52	3.2	53	3.3
Loans to other financing institutions .....	1	0.1	1	0.1
Total .....	<u>\$ 1,614</u>	<u>100.0%</u>	<u>\$ 1,632</u>	<u>100.0%</u>

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

	June 30, 2022	December 31, 2021
Allowance for loan losses as a percentage of:		
Total loans .....	0.45%	0.47%
Nonperforming assets .....	91.2	103.4
Nonaccrual loans .....	132.9	138.8

### ***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. A limited number of Associations manage 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, 2022, ALM Associations had combined assets of approximately 10% of System 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. The ability to quickly access the debt markets helps us minimize the risk that interest rates might change between the time a loan commitment is made and the time it is 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 75% of our fixed-rate loans 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 on a monthly basis and the assumptions used in these analyses are monitored routinely and adjusted as necessary. The Banks and ALM Associations use sophisticated simulation models to develop interest rate sensitivity estimates. These models are periodically back tested and reviewed by third parties for reasonableness.

## Interest Rate Risk Management Results

### Interest Rate Gap Analysis

The interest rate gap analysis presents a comparison of interest-sensitive assets and liabilities in defined time segments as of June 30, 2022. 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 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 below includes anticipated cash flows on interest sensitive assets and liabilities given the current level of interest rates.

	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 .....	\$ 68,380	\$ 192	\$ 656	\$ 715	\$ 69,943
Administered-rate loans .....	54,466				54,466
Fixed-rate loans:					
Fixed-rate with prepayment or conversion fees...	10,424	6,030	20,763	18,846	56,063
Fixed-rate without prepayment or conversion fees .....	28,521	12,745	73,288	61,066	175,620
Nonaccrual loans .....				1,214	1,214
Total gross loans .....	161,791	18,967	94,707	81,841	357,306
Federal funds sold, investments and other interest-earning assets .....	43,295	5,544	24,087	12,554	85,480
Total earning assets .....	205,086	24,511	118,794	94,395	442,786
Interest-bearing liabilities:					
Callable bonds and notes .....	3,687	3,790	53,383	57,818	118,678
Noncallable bonds and notes .....	162,634	25,406	49,364	18,730	256,134
Subordinated debt .....				398	398
Other interest-bearing liabilities .....	5,884			529	6,413
Total interest-bearing liabilities .....	172,205	29,196	102,747	77,475	381,623
Effect of interest rate swaps and other derivatives .....	18,158	(7,075)	(12,264)	1,181	
Total interest-bearing liabilities adjusted for swaps and other derivatives .....	190,363	22,121	90,483	78,656	381,623
Interest rate sensitivity gap (total earning assets less total interest-bearing liabilities adjusted for swaps and other derivatives) .....	\$ 14,723	\$ 2,390	\$ 28,311	\$ 15,739	\$ 61,163
Cumulative gap .....	\$ 14,723	\$ 17,113	\$ 45,424	\$ 61,163	
Cumulative gap as a percentage of total earning assets .....	3.33%	3.86%	10.26%	13.81%	

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, 2022 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 steepness 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 decreased to 3.33% at June 30, 2022 from 4.83% at December 31, 2021.

#### *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. 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. However, in the current, relatively low interest rate environment, the downward shock is based on one-half of the three-month Treasury bill rate, which was 85 basis points at June 30, 2022 and 3 basis points at December 31,

2021. Under these simulations, the System's sensitivity to interest rate changes (sum of Districts' sensitivity analyses) was:

	<b>June 30, 2022</b>		
	<b>-85</b>	<b>+100</b>	<b>+200</b>
Change in net interest income ..	-0.54%	1.92%	3.13%
Change in market value of equity .....	3.35%	-3.63%	-6.96%
	<b>December 31, 2021</b>		
	<b>-3</b>	<b>+100</b>	<b>+200</b>
Change in net interest income ..	-0.08%	2.08%	3.21%
Change in market value of equity .....	0.11%	-3.82%	-7.39%

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-57.

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 *2021 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 (the sum of the Banks' duration gaps) was a positive 3.3 months at June 30, 2022 and a positive 3.8 months at December 31, 2021. 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 *2021 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 \$16.877 billion to \$83.914 billion at June 30, 2022, as compared with \$67.037 billion at December 31, 2021. 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.

In addition, as of June 30, 2022, the System had put option contracts with a total notional of 478,000 barrels of oil to protect against a decline in oil prices.

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.

The System clears a significant portion of derivative transactions through a futures commission merchant (FCM), with a clearinghouse (i.e. a central counterparty (CCP)). 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, System institutions typically enter into master agreements that govern all derivative transactions with a counterparty, which 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 *2021 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 Bank. 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, 2022 and December 31, 2021 were:

	June 30, 2022					December 31, 2021				
	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:										
Aa2 .....	4	\$ 8,194	\$ 170	\$ 181	\$ 10	4	\$ 6,010	\$ 1		\$ 1
Aa3 .....	1	1,187	14	18		1	1,230			
A1 .....	4	2,850	110	122		2	1,906		\$1	
A2 .....						1	917			
A3 .....	1	1,264	53	58		1	1,642			
Baa2 .....	1	3				1	5			
Cleared derivatives(1)	3	59,269	5		5	2	43,642	6		6
Total .....	14	\$72,767	\$ 352	\$ 379	\$ 15	12	\$55,352	\$ 7	\$ 1	\$ 7

(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 \$216 million and \$138 million at June 30, 2022 and December 31, 2021 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 \$11.140 billion and \$11.680 billion in notional amount of derivative financial instruments at June 30, 2022 and December 31, 2021 related to interest rate swaps that two Banks entered into with certain of their customers. Also excluded is \$7 million and \$5 million in notional amount of derivative financial instruments at June 30, 2022 and December 31, 2021 related to forward commitments that one Association has entered into to hedge interest rate risk on interest rate locks.

At June 30, 2022, the Banks' counterparties posted \$379 million in cash with us, as compared with \$1 million of cash at December 31, 2021. At June 30, 2022, one Bank had posted collateral with respect to their obligations under these agreements of \$1 million, while at December 31, 2021, three Banks had posted collateral of \$106 million.

#### The LIBOR Transition

In 2017, the United Kingdom's Financial Conduct Authority (the "UK FCA"), which regulates LIBOR, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021. As a result, it had been uncertain whether LIBOR would continue to be quoted after 2021. Following up on its earlier statement, on March 5, 2021, the UK FCA announced that the ICE Benchmark Administration (IBA) (the entity that is responsible for calculating LIBOR) had notified the UK FCA of its intent, among other things, to cease providing certain US dollar LIBOR settings as of June 30, 2023. In the announcement, the UK FCA confirmed that all 35 LIBOR tenors (including with respect to US dollar LIBOR) will be discontinued or declared non-

representative as of either: (a) immediately after December 31, 2021 or (b) immediately after June 30, 2023.

Each Bank, Association and the Funding Corporation has implemented LIBOR transition plans in accordance with Farm Credit Administration's guidance and will continue to analyze potential risks associated with the LIBOR transition, including, but not limited to, financial, market, accounting, operational, legal, tax, reputational and compliance risks, and will update its LIBOR transition plan, to the extent necessary, to address these risks.

System institutions' LIBOR exposure arises from certain LIBOR-based loans made to customers, investment securities purchased, preferred stock issued, derivative transactions entered into, and Systemwide Debt Securities issued by the Funding Corporation on the Banks' behalf. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of, and return on, such financial instruments held by System institutions. Due to the uncertainty regarding the transition of LIBOR-based financial instruments, including the manner in which an

alternative reference rate will apply, and the mechanisms for transitioning System institutions' LIBOR-based instruments to instruments with an alternative rate, we cannot yet reasonably estimate the expected financial impact of the LIBOR transition on the System.

In light of the announcements by the UK FCA, the IBA and the other U.S. prudential regulators noted above, US dollar LIBOR, except in very limited circumstances, has been or will be discontinued or declared unrepresentative as of June 30, 2023. Because some of the System's financial instruments reference LIBOR, these developments could have a material impact on us, our borrowers, our investors, and System institutions' customers and counterparties.

The LIBOR transition could result in System institutions paying higher interest rates on LIBOR-indexed Systemwide Debt Securities, adversely affecting the yield on, and fair value of, the financial instruments we hold that reference LIBOR, and increase the costs of or affect System institutions' ability to effectively use derivative instruments to manage interest rate risk. In addition, to the extent that System institutions cannot successfully transition their LIBOR-based financial instruments to an alternative rate based index that is endorsed or supported by regulators and generally accepted by the market as a replacement to LIBOR, there could be other ramifications, including those that may arise as a result of the need to redeem or terminate such financial instruments. The foregoing risk will largely be addressed by federal legislation and related rulemakings through the amendment of certain provisions by operation of law to include a viable fallback away from LIBOR.

The federal Adjustable Interest Rate (LIBOR) Act (LIBOR Act) was signed into law on March 15, 2022. The federal legislation provides a statutory

fallback mechanism on a nationwide basis to replace LIBOR with a benchmark rate, selected by the Federal Reserve Board and based on SOFR, for certain contracts that reference LIBOR and contain no or insufficient fallback provisions. The Federal Reserve Board has proposed a rule to implement certain provisions of the LIBOR Act. The proposed rule is subject to public comment, but is required by the LIBOR Act to be finalized no later than September 12, 2022. On April 6, 2021, a New York state law became effective that applies to US dollar LIBOR-based contracts, securities, and instruments governed under New York law. The New York law and other similar state laws were superseded by the LIBOR Act.

On July 29, 2021, the Alternative Reference Rates Committee (the "ARRC") formally announced that CME Term SOFR is an appropriate fallback to LIBOR to be used for certain types of currently outstanding loans, floating rate notes (which would include certain outstanding Systemwide Debt Securities) and derivatives based on LIBOR when LIBOR is discontinued or deemed unrepresentative, and, in more limited circumstances, for new loans, floating rate notes and other transactions, including certain derivatives. CME Term SOFR are forward-looking rates published by CME Group Benchmark Administration Limited for 1-month, 3-month, 6-month and 12-month tenors. The ARRC's support of CME Term SOFR is expected to increase the volume of transactions quoted in SOFR, supporting the transition away from LIBOR.

For additional information on the LIBOR transition, see pages 74 through 78 in the 2021 Annual Information Statement.

The following is a summary of variable-rate Systemwide Debt Securities and other financial instruments impacted by the LIBOR transition:

	<b>June 30, 2022</b>
	<b>(in millions)</b>
Variable-rate Systemwide Debt Securities by interest-rate index	
LIBOR .....	\$ 1,691
SOFR .....	92,852
Federal funds, Prime and other .....	29,437
<b>Total .....</b>	<b>\$ 123,980</b>
LIBOR-indexed Systemwide Debt Securities by contractual maturity	
Due in 2022 .....	\$ 700
Due in 2023 on or before June 30 .....	85
Due after June 30, 2023 <sup>1</sup> .....	906
<b>Total .....</b>	<b>\$ 1,691</b>

<sup>1</sup> It is anticipated that Systemwide Debt Securities totaling \$796 million with a contractual maturity after June 30, 2023 will be replaced by a SOFR-based rate pursuant to their terms. To the extent that any other Systemwide Debt Securities do not have terms that would replace their LIBOR-based rate by a non-LIBOR-based rate (at present \$110 million), pursuant to the Adjustable Interest Rate (LIBOR) Act, the LIBOR-based rate in such securities could also be replaced by operation of law with a SOFR-based rate.

	<b>Due in 2022</b>	<b>Due in 2023 on or before June 30, 2023</b>	<b>Due after June 30, 2023</b>	<b>Total</b>
	<b>(in millions)</b>			
LIBOR-indexed variable-rate financial instruments at June 30, 2022:				
Investments .....	\$ 11	\$ 77	\$ 5,683	\$ 5,771
Loans* .....	4,075	1,760	36,216	42,051
Preferred stock .....			143	143
Derivatives (notional amount)** .....	13,990	6,665	29,231	49,886

\* In anticipation of the LIBOR transition described above, System institutions have amended a substantial majority of the loan agreements to provide fallbacks to LIBOR. System institutions continue to pursue amendments and other alternatives with respect to the transition away from LIBOR for remaining loans.

\*\* Derivative transactions with a notional amount of \$17.120 billion that mature after June 30, 2023 are LIBOR-based over-the-counter transactions executed pursuant to an International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement with major banks or other swap dealers. Pursuant to the terms of those transactions, it is anticipated that after June 30, 2023 the LIBOR-based rate in such transactions will be replaced with a rate based upon a compounded SOFR-based rate calculated in arrears. It is also anticipated that LIBOR-based derivative transactions, cleared through a clearinghouse, with a notional amount of \$12.111 billion that mature after June 30, 2023, will also have their LIBOR-based rate transactions amended to become or be replaced by SOFR-based rate transactions pursuant to clearinghouse rules.

Note: Excluded from this table are preferred stock issuances totaling \$1.845 billion that currently have fixed dividend rates but convert to LIBOR-indexed variable-rates in the future. The \$143 million of preferred stock is perpetual and may not be redeemed until July 10, 2027 or thereafter. For additional information regarding preferred stock, see Note 12 in the 2021 Annual Information Statement.

## 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 terminates on September 30, 2022, unless otherwise renewed. 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 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.

## Investments

As more fully described on page 79 in the *2021 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 and managing short-term surplus funds and reducing interest rate risk and, in so doing, they may enhance profitability. At June 30, 2022, 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, in an amount not to exceed 10% of its total average 90-day outstanding loan balance. Associations may also hold portions of USDA Guaranteed Loans purchased in the secondary market as eligible risk management investments. At June 30, 2022, no Association exceeded the 10% limit.

Bank eligible investments (carried at fair value) must comply with the regulatory eligibility criteria and for reporting purposes are shown by credit ratings

issued by Moody's Investors Service, S&P Global Ratings, or Fitch Ratings were as follows:

<u>June 30, 2022</u>	<b>Eligible Investments</b>				
	<u>AAA/Aaa</u>	<u>A1/P1/F1</u>	<u>Split Rated(1)</u>	<u>A/A</u>	<u>Total</u>
			(in millions)		
Federal funds sold and securities purchased under resale agreements .....		\$ 12,150	\$ 275		\$ 12,425
Commercial paper, bankers' acceptances, certificates of deposit and other securities .....		4,922	2,317	\$ 84	7,323
U.S. Treasury securities .....			24,204		24,204
U.S. agency securities .....			2,069		2,069
Mortgage-backed securities:					
Agency collateralized .....			28,296		28,296
Agency whole-loan pass through .....			2,622		2,622
Private label-FHA/VA .....			26		26
Asset-backed securities .....	\$ 772		3,425		4,197
<b>Total</b> .....	<u>\$ 772</u>	<u>\$ 17,072</u>	<u>\$ 63,234</u>	<u>\$ 84</u>	<u>\$ 81,162</u>

<u>December 31, 2021</u>	<b>Eligible Investments</b>				
	<u>AAA/Aaa</u>	<u>A1/P1/F1</u>	<u>Split Rated(1)</u>	<u>A/A</u>	<u>Total</u>
			(in millions)		
Federal funds sold and securities purchased under resale agreements .....		\$ 6,094			\$ 6,094
Commercial paper, bankers' acceptances, certificates of deposit and other securities .....		3,008	\$ 1,220	\$ 56	4,284
U.S. Treasury securities .....			25,235		25,235
U.S. agency securities .....			2,162		2,162
Mortgage-backed securities:					
Agency collateralized .....			27,385		27,385
Agency whole-loan pass through .....			2,719		2,719
Private label-FHA/VA .....			29		29
Asset-backed securities .....	\$ 590		3,044		3,634
<b>Total</b> .....	<u>\$ 590</u>	<u>\$ 9,102</u>	<u>\$ 61,794</u>	<u>\$ 56</u>	<u>\$ 71,542</u>

(1) Investment 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 maintaining the U.S. government's long-term sovereign credit rating of AA+. Both Moody's Investors Service and Fitch Ratings maintain ratings of Aaa and 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 were:

	June 30, 2022			December 31, 2021		
	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Gains/(Losses)
	(in millions)					
Mortgage-backed securities:						
Agency collateralized.....	\$ 29,964	\$ 28,296	\$ (1,668)	\$ 27,462	\$ 27,385	\$ (77)
Agency whole-loan pass through...	2,919	2,622	(297)	2,729	2,719	(10)
Private label-FHA/VA.....	98	90	(8)	107	100	(7)
Total mortgage-backed securities.....	<u>\$ 32,981</u>	<u>\$ 31,008</u>	<u>\$ (1,973)</u>	<u>\$ 30,298</u>	<u>\$ 30,204</u>	<u>\$ (94)</u>
Asset-backed securities:						
Small business loans.....	\$ 3,670	\$ 3,425	\$ (245)	\$ 3,021	\$ 3,043	\$ 22
Auto loans.....	391	390	(1)	341	342	1
Credit card receivables.....	261	260	(1)	107	108	1
Equipment loans.....	68	66	(2)	77	77	
Other.....	58	56	(2)	64	64	
Total asset-backed securities.....	<u>\$ 4,448</u>	<u>\$ 4,197</u>	<u>\$ (251)</u>	<u>\$ 3,610</u>	<u>\$ 3,634</u>	<u>\$ 24</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 loans originated by Associations and previously held by the Associations under Farmer Mac standby purchase commitments.

any time for failure to comply with its regulation or for safety and soundness reasons. As of June 30, 2022, 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 \$540 million at June 30, 2022 and \$454 million at December 31, 2021 and represented 0.7% and 0.6% of Federal funds and available-for-sale investments at June 30, 2022 and December 31, 2021, respectively.

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

	June 30, 2022	December 31, 2021
	(in millions)	
Small Business Administration and other government guaranteed securities.....	\$ 1,547	\$ 1,358
Farmer Mac securities.....	614	679
Rural America bonds and Agricultural Rural Community bonds.....	39	46
Total.....	<u>\$ 2,200</u>	<u>\$ 2,083</u>

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

	June 30, 2022	December 31, 2021
	(in millions)	
U.S. Treasury securities .....	\$ 1,087	\$ 864
Rural home loan securities	143	176
Small Business Administration and other government guaranteed securities .....	127	115
Farmer Mac securities .....	11	14
Other securities .....	19	20
Total .....	<u>\$ 1,387</u>	<u>\$ 1,189</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, 2022, each Bank met the individual tiers' minimums of the liquidity reserve and exceeded the aggregate regulatory minimum 90 days of liquidity. Each Bank's liquidity position ranged from 152 to 241 days at June 30, 2022. The Banks' aggregate liquidity position was 181 days at June 30, 2022, as compared with 180 days at December 31, 2021. (See Note 14 to the accompanying condensed combined financial statements for each Bank's liquidity position at June 30, 2022 and December 31, 2021.)

Cash provided by the System's operating activities (primarily generated from net interest income in excess of operating expenses) of \$3.405 billion and \$3.534 billion for the first six months of 2022 and 2021 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 is the most significant component of capital. As of June 30, 2022, retained earnings totaled \$56.809 billion and represented 82.4% of capital, as compared with \$54.883 billion and 79.0% at December 31, 2021. Capital as a percentage of assets decreased to 15.1% at June 30, 2022, as compared with 15.9% at December 31, 2021, primarily due to an increase in accumulated other comprehensive loss.

## Farm Credit Administration Capital Requirements

The following sets forth the regulatory capital ratio requirements and ratios at June 30, 2022:

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) <sup>1</sup>	Risk-weighted assets	4.5%	7.0%	8.6% - 16.8%	9.8% - 32.1%
Tier 1 Capital	CET1 Capital and non-cumulative perpetual preferred stock	Risk-weighted assets	6.0%	8.5%	12.8% - 17.4%	11.1% - 32.1%
Total Capital	Tier 1 Capital, allowance for loan losses <sup>2</sup> , other common cooperative equities <sup>3</sup> , and term preferred stock and subordinated debt <sup>4</sup>	Risk-weighted assets	8.0%	10.5%	13.6% - 17.4%	11.3% - 32.9%
Tier 1 Leverage	Tier 1 Capital (at least 1.5% must be URE and URE equivalents)	Total assets	4.0%	5.0%	5.1% - 6.6%	9.9% - 30.9%
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	12.9% - 17.4%	11.1% - 32.4%
Unallocated Retained Earnings and URE Equivalents (UREE) Leverage	URE and URE Equivalents	Total assets	1.5%	N/A	2.2% - 5.2%	4.7% - 30.6%

\* 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, 2022 and December 31, 2021.

<sup>1</sup> Equities subject to a minimum redemption or revivment period of 7 or more years

<sup>2</sup> Capped at 1.25% of risk-weighted assets and inclusive of the reserve for unfunded commitments

<sup>3</sup> Equities subject to a minimum redemption or revivment period of 5 or more, but less than 7 years

<sup>4</sup> Equities subject to a minimum redemption or revivment 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 loan losses 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 authorized 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, 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, 2022, the assets in the Insurance Fund totaled \$6.304 billion. (See Note 5 to the accompanying condensed combined financial statements and the

Supplemental Combining Information on pages F-49 and F-51 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 assets 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, as amended, 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, as amended, 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, to the Allocated Insurance Reserves Accounts for each Bank.

In June 2022, the Insurance Corporation reviewed the level of the secure base amount and determined that it would increase its premium assessment rate from 16 to 20 basis points on adjusted insured debt and continue the assessment of an additional 10 basis points on nonaccrual loans and other-than-temporarily impaired investments. The increase was applied retroactively for the entire calendar year.

At June 30, 2022, as determined by the Insurance Corporation, the Insurance Fund for which no specific use has been identified or designated was 1.97% of adjusted insured obligations, as compared with 1.98% at December 31, 2021.

#### *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, 2022 were:

	<b>Capital</b>				
	<b>Combined Banks</b>	<b>Combined Associations</b>	<b>Insurance Fund</b>	<b>Combination Entries</b>	<b>System Combined</b>
	(in millions)				
Balance at December 31, 2021 .....	\$ 23,244	\$ 48,211	\$ 5,960	\$ (7,938)	\$ 69,477
Net income .....	1,373	2,646	344	(796)	3,567
Change in accumulated other comprehensive loss .....	(2,792)	(71)		78	(2,785)
Preferred stock retired .....	(292)	(255)			(547)
Preferred stock dividends .....	(76)	(22)			(98)
Capital stock and participation certificates issued .....	234	63		(234)	63
Capital stock, participation certificates and retained earnings retired .....	(172)	(58)		135	(95)
Equity issued or recharacterized upon Association mergers .....		487			487
Equity retired or recharacterized upon Association mergers .....		(490)			(490)
Patronage .....	(581)	(582)		512	(651)
Balance at June 30, 2022 .....	<u>\$ 20,938</u>	<u>\$ 49,929</u>	<u>\$ 6,304</u>	<u>\$ (8,243)</u>	<u>\$ 68,928</u>

Note: System combined capital reflected eliminations of approximately \$6.9 billion and \$6.7 billion of Bank equities held by Associations as of June 30, 2022 and December 31, 2021. 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 six months ended June 30, 2022, two Banks retired preferred stock totaling \$292 million. In addition during the second quarter of 2022, one Association discontinued its Class H preferred stock program and retired approximately \$247 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 decreased \$1.962 billion since December 31, 2021 to \$27.242 billion at June 30, 2022, primarily due to an increase in accumulated other comprehensive loss. Combined Bank-only capital as a percentage of combined Bank-only assets was 5.2% at June 30, 2022 and 6.0% at December 31, 2021.

Combined Bank-only net income was \$1.373 billion and \$1.364 billion for the six months ended June 30, 2022 and 2021. 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 domestic loans to cooperatives and other

eligible borrowers and loans to finance agricultural export transactions. The Banks' wholesale loans to Associations represented 54% of the assets on the combined Bank-only balance sheet at June 30, 2022. 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 \$1.718 billion since December 31, 2021 to \$49.929 billion at June 30, 2022. The growth in Association capital resulted primarily from income earned and retained. Combined Association capital as a percentage of combined Association assets was 18.3% at June 30, 2022 and 18.1% at December 31, 2021. 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, 2022 and December 31, 2021 was comprised of the following components:

	June 30, 2022	December 31, 2021
	(in millions)	
Unrealized (losses) gains on investments available-for-sale, net	\$ (2,923)	\$ 139
Unrealized losses on cash flow hedges, net	(9)	(232)
Pension and other benefit plans	(1,063)	(1,117)
	<u>\$ (3,995)</u>	<u>\$ (1,210)</u>

Accumulated other comprehensive loss increased \$2.785 billion during the first six months of 2022 as a result of an increase in interest rates that decreased the fair value of existing fixed-rate investment securities, which 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 pages 18 and 19 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 Coordinating Committee, 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. (See pages 12 and 15 in the *2021 Annual Information Statement* for additional information).

### ***Political Risk Management***

Political risk to the System is the risk 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 policy.

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 April 14, 2022, the Farm Credit Administration approved a final rule that amends certain regulations to address changes in accounting principles generally accepted in the United States. Such changes reflect the current expected credit losses (CECL) methodology that will replace the incurred loss methodology upon adoption. Credit loss allowances related to loans, lessor’s net investments in leases, and held-to-maturity debt securities have been defined as adjusted allowances for credit losses and will be included in a System institution’s Tier 2 capital up to 1.25% of the System institution’s total risk-weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution’s Tier 2 capital. In addition, the final rule does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution’s regulatory capital ratios. The rule will be effective on January 1, 2023.

On July 8, 2021, the Farm Credit Administration approved a proposed rule to revise 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%. The proposed rule would further align the Farm Credit Administration’s risk-weightings with federal banking regulators and recognizes the increased risk posed by HVCRE exposures. The public comment period ended on January 24, 2022.

### **Recently Adopted or Issued Accounting Pronouncements**

See pages F-8 through 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, 2022**

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

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<u>(unaudited)</u>	
<b>A S S E T S</b>		
Cash .....	\$ 1,850	\$ 5,548
Federal funds sold and securities purchased under resale agreements .....	12,425	6,094
Investments (Note 2)		
Available-for-sale (amortized cost of \$72,247 and \$65,717, respectively) .....	69,277	65,902
Other investments held-to-maturity (fair value of \$2,043 and \$2,098, respectively) .....	2,200	2,083
Other investments available-for-sale (amortized cost of \$1,449 and \$1,190, respectively) .....	1,387	1,189
Loans (Note 3) .....	357,306	343,929
Less: allowance for loan losses (Note 3) .....	<u>(1,614)</u>	<u>(1,632)</u>
Net loans .....	<u>355,692</u>	<u>342,297</u>
Accrued interest receivable .....	2,716	2,560
Premises and equipment .....	1,669	1,637
Other assets (Note 4) .....	2,751	2,687
Restricted assets (Note 5) .....	6,304	5,960
Total assets .....	<u>\$ 456,271</u>	<u>\$ 435,957</u>
<b>L I A B I L I T I E S   A N D   C A P I T A L</b>		
Systemwide Debt Securities		
Due within one year:		
Systemwide discount notes .....	\$ 23,550	\$ 24,271
Systemwide bonds and medium-term notes .....	<u>111,612</u>	<u>106,430</u>
	135,162	130,701
Due after one year:		
Systemwide bonds and medium-term notes .....	<u>239,650</u>	<u>222,122</u>
Total Systemwide Debt Securities (Note 6) .....	374,812	352,823
Subordinated debt .....	398	398
Other bonds .....	3,938	3,623
Notes payable and other interest-bearing liabilities .....	2,475	1,809
Accrued interest payable .....	931	650
Other liabilities (Note 4) .....	<u>4,789</u>	<u>7,177</u>
Total liabilities .....	<u>387,343</u>	<u>366,480</u>
Commitments and contingencies (Note 13)		
Capital (Note 8)		
Preferred stock .....	3,446	3,993
Capital stock and participation certificates .....	2,098	2,069
Additional paid-in-capital .....	4,266	3,782
Restricted capital (Note 5) .....	6,304	5,960
Accumulated other comprehensive loss, net of tax .....	(3,995)	(1,210)
Retained earnings .....	<u>56,809</u>	<u>54,883</u>
Total capital .....	<u>68,928</u>	<u>69,477</u>
Total liabilities and capital .....	<u>\$ 456,271</u>	<u>\$ 435,957</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,	
	2022	2021	2022	2021
	(unaudited)			
Interest income				
Investments, Federal funds sold and securities purchased under resale agreements .....	\$ 285	\$ 198	\$ 493	\$ 406
Loans .....	3,415	2,918	6,520	5,799
Total interest income .....	3,700	3,116	7,013	6,205
Interest expense				
Systemwide bonds and medium-term notes .....	1,033	675	1,768	1,358
Systemwide discount notes .....	36	6	46	16
Other interest-bearing liabilities .....	12	6	20	10
Total interest expense .....	1,081	687	1,834	1,384
Net interest income .....	2,619	2,429	5,179	4,821
Provision for loan losses (loan loss reversal) .....	6	(58)	1	(30)
Net interest income after provision for loan losses (loan loss reversal) .....	2,613	2,487	5,178	4,851
Noninterest income				
Loan-related fee income .....	89	96	169	196
Financially-related services income .....	45	49	98	92
Income earned on Insurance Fund assets .....	16	13	28	25
Losses on extinguishment of debt .....	(1)	(19)	(2)	(36)
Net (losses) gains on derivative, investment and other transactions .....	(10)	16	(23)	29
Other income .....	45	27	93	86
Total noninterest income .....	184	182	363	392
Noninterest expense				
Salaries and employee benefits .....	575	540	1,164	1,066
Occupancy and equipment expense .....	73	74	150	150
Purchased services .....	76	71	146	134
Other expense .....	219	190	421	358
Total noninterest expense .....	943	875	1,881	1,708
Income before income taxes .....	1,854	1,794	3,660	3,535
Provision for income taxes .....	45	46	93	94
Net income .....	<u>\$ 1,809</u>	<u>\$ 1,748</u>	<u>\$ 3,567</u>	<u>\$ 3,441</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,	
	2022	2021	2022	2021
	(unaudited)			
Net income .....	\$ 1,809	\$ 1,748	\$ 3,567	\$ 3,441
Other comprehensive (loss) income, net of tax:				
Change in unrealized gains/losses on investments available-for-sale, including reclassification adjustments ....	(1,130)	50	(3,062)	(438)
Change in unrealized gains/losses on cash flow hedges, including reclassification adjustments .....	99	(25)	223	89
Change in net periodic pension benefit cost, including reclassification adjustments .....	27	37	54	72
Total other comprehensive (loss) income .....	(1,004)	62	(2,785)	(277)
Comprehensive income .....	<u>\$ 805</u>	<u>\$ 1,810</u>	<u>\$ 782</u>	<u>\$ 3,164</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, 2020 .....	\$ 3,204	\$ 1,977	\$ 3,738	\$ 5,455	\$ (621)	\$ 51,782	\$ 65,535
Comprehensive income .....					(277)	3,441	3,164
Transfer of Insurance Fund premiums and other income from retained earnings to restricted capital .....				253		(253)	
Preferred stock retired by Banks .....	(10)		3				(7)
Preferred stock issued by Associations .....	651		(9)			(7)	635
Preferred stock retired by Associations .....	(282)						(282)
Preferred stock dividends .....						(82)	(82)
Capital stock and participation certificates issued .....		66					66
Capital stock and participation certificates retired .....		(73)					(73)
Equity issued or recharacterized upon Association merger .....			49				49
Equity retired or recharacterized upon Association merger .....						(53)	(53)
Patronage:							
Cash .....						(599)	(599)
Capital stock, participation certificates and retained earnings allocations .....		47				(47)	
Balance at June 30, 2021 .....	<u>\$ 3,563</u>	<u>\$ 2,017</u>	<u>\$ 3,781</u>	<u>\$ 5,708</u>	<u>\$ (898)</u>	<u>\$ 54,182</u>	<u>\$ 68,353</u>
Balance at December 31, 2021 .....	\$ 3,993	\$ 2,069	\$ 3,782	\$ 5,960	\$ (1,210)	\$ 54,883	\$ 69,477
Comprehensive income .....					(2,785)	3,567	782
Transfer of Insurance Fund premiums and other income from retained earnings to restricted capital .....				344		(344)	
Preferred stock retired by Banks .....	(292)						(292)
Preferred stock retired by Associations .....	(255)						(255)
Preferred stock dividends .....						(98)	(98)
Capital stock and participation certificates issued .....		63					63
Capital stock and participation certificates retired .....		(95)					(95)
Equity issued or recharacterized upon Association mergers .....		3	484				487
Equity retired or recharacterized upon Association mergers .....		(3)				(487)	(490)
Patronage:							
Cash .....						(651)	(651)
Capital stock, participation certificates and retained earnings allocations .....		61				(61)	
Balance at June 30, 2022 .....	<u>\$ 3,446</u>	<u>\$ 2,098</u>	<u>\$ 4,266</u>	<u>\$ 6,304</u>	<u>\$ (3,995)</u>	<u>\$ 56,809</u>	<u>\$ 68,928</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)

	<b>For the Six Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>	
Cash flows from operating activities		
Net income	\$ 3,567	\$ 3,441
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses (loan loss reversal)	1	(30)
Depreciation and amortization on premises and equipment	87	83
Net losses (gains) on derivative, investment and other transactions	23	(29)
Income on Insurance Fund assets, net of operating expenses	(25)	(23)
(Increase) decrease in accrued interest receivable	(156)	150
Increase (decrease) in accrued interest payable	281	(48)
Other, net	(373)	(10)
Net cash provided by operating activities	<u>3,405</u>	<u>3,534</u>
Cash flows from investing activities		
Increase in loans, net	(13,424)	(7,709)
Increase in Federal funds sold and securities purchased under resale agreements, net	(6,331)	(269)
Investments available-for-sale:		
Purchases	(18,844)	(18,123)
Proceeds from maturities and payments	10,554	15,016
Proceeds from sales	1,403	1,723
Other investments held-to-maturity:		
Purchases	(383)	(475)
Proceeds from maturities and payments	251	204
Other investments available-for-sale:		
Purchases	(377)	(596)
Proceeds from maturities and payments	117	658
Premiums paid to the Insurance Fund	(460)	(255)
Other, net	(85)	(89)
Net cash used in investing activities	<u>(27,579)</u>	<u>(9,915)</u>
Cash flows from financing activities		
Systemwide bonds issued	79,169	87,163
Systemwide bonds and medium-term notes retired	(55,956)	(74,972)
Systemwide discount notes issued	115,369	110,950
Systemwide discount notes retired	(116,113)	(116,850)
Subordinated debt issued, net		400
Other bonds issued, net	315	186
Increase in notes payable and other interest-bearing liabilities, net	666	468
Increase in collateral held from derivative counterparties	378	
Preferred stock retired by Banks	(292)	(7)
Preferred stock issued by Associations		635
Preferred stock retired by Associations	(255)	(282)
Capital stock and participation certificates issued	63	66
Capital stock, participation certificates and retained earnings retired	(124)	(98)
Preferred stock dividends paid	(98)	(82)
Cash patronage paid	(2,646)	(2,315)
Net cash provided by financing activities	<u>20,476</u>	<u>5,262</u>
Net decrease in cash	(3,698)	(1,119)
Cash at beginning of period	5,548	4,067
Cash at end of period	<u>\$ 1,850</u>	<u>\$ 2,948</u>

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

	<b>For the Six Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>	
Supplemental schedule of non-cash investing and financing activities:		
Loans transferred to other property owned .....	\$ 25	\$ 19
Patronage and dividends distributions payable .....	820	733
Investments available-for-sale sold but not yet settled, net .....	8	4
Supplemental non-cash fair value changes related to hedging activities:		
Decrease in Systemwide bonds and medium-term notes .....	(502)	(127)
Other, net .....	415	58
Supplemental disclosure of cash flow information:		
Cash paid during the six months for:		
Interest .....	1,478	1,414
Taxes .....	58	1

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, 2021, contained in the System's *2021 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,

2021 are contained in the *2021 Annual Information Statement*.

**Recently Adopted or Issued Accounting Pronouncements**

In March 2022, the Financial Accounting Standards Board (FASB) issued an update entitled "Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures." The guidance eliminates the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty. The creditor will have to apply the guidance to determine whether a modification results in a new loan or a continuation of an existing loan. In addition to the TDR guidance, the update requires public business entities to disclose current period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of the credit losses standard. These amendments will be effective for the System at the time of adoption of the measurement of credit losses on financial instruments standard on January 1, 2023.

In March 2022, the FASB issued an update entitled "Derivatives and Hedging: Fair Value Hedging – Portfolio Layer Method." Under current guidance, the last-of-layer method enables an entity to apply fair value hedging to a stated amount of a closed portfolio of prepayable financial assets (or one or more beneficial interests secured by a portfolio of prepayable financial instruments) without having to consider prepayment risk or credit risk when measuring those assets. This guidance will allow entities to apply the portfolio layer method to portfolios of all financial assets, including both prepayable and nonprepayable financial assets. This scope expansion is consistent with the FASB's efforts to simplify hedge accounting and allows entities to apply the same method to similar hedging strategies. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted on any date on or after the issuance of this update for any entity that has adopted amendments previously issued. Although the System

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

does not have a current derivative hedging strategy in which the last-of-layer method is used, System institutions are currently evaluating the impact of this update on future derivative hedging strategies.

In March 2020, the FASB issued guidance entitled “Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Reference Rate Reform).” The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform to ease the potential burden related to reference rate reform (transition away from the London Inter-Bank Offered Rate (LIBOR)). The optional amendments are effective as of March 12, 2020 through December 31, 2022.

In January 2021, the FASB issued an update to Reference Rate Reform whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships

evaluated for effectiveness in periods after December 31, 2022.

In June 2016, the FASB issued guidance entitled “Measurement of Credit Losses on Financial Instruments.” The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers, this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain entities. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those entities qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. System institutions qualify for the delay in the adoption date. The System continues to evaluate the impact of adoption on the System’s financial condition and its results of operations.

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

**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:

	<b>June 30, 2022</b>				
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>Weighted Average Yield</b>
Commercial paper, bankers' acceptances, certificates of deposit and other securities....	\$ 7,828		\$ (29)	\$ 7,799	1.85%
U.S. Treasury securities .....	24,871	\$ 7	(674)	24,204	1.36
U.S. agency securities .....	2,119		(50)	2,069	2.38
Mortgage-backed securities .....	32,981	7	(1,980)	31,008	1.58
Asset-backed securities .....	4,448	7	(258)	4,197	2.13
Total .....	<u>\$ 72,247</u>	<u>\$ 21</u>	<u>\$ (2,991)</u>	<u>\$ 69,277</u>	1.59

	<b>December 31, 2021</b>				
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>Weighted Average Yield</b>
Commercial paper, bankers' acceptances, certificates of deposit and other securities....	\$ 4,643	\$ 25	\$ (1)	\$ 4,667	0.58%
U.S. Treasury securities .....	25,085	225	(75)	25,235	0.94
U.S. agency securities .....	2,081	82	(1)	2,162	2.09
Mortgage-backed securities .....	30,298	160	(254)	30,204	1.13
Asset-backed securities .....	3,610	55	(31)	3,634	1.84
Total .....	<u>\$ 65,717</u>	<u>\$ 547</u>	<u>\$ (362)</u>	<u>\$ 65,902</u>	1.09

**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, 2022 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 .....	\$ 7,163		\$ 408		\$ 228				\$ 7,799	1.85%
U.S. Treasury securities ..	8,346		13,352		2,506				24,204	1.36
U.S. agency securities .....	238		1,360		337		\$ 134		2,069	2.38
Mortgage-backed securities .....	64		2,555		12,412		15,977		31,008	1.58
Asset-backed securities ..	45		709		983		2,460		4,197	2.13
Total fair value .....	<u>\$15,856</u>	1.36%	<u>\$18,384</u>	1.65%	<u>\$16,466</u>	1.62%	<u>\$18,571</u>	1.69%	<u>\$69,277</u>	1.59
Total amortized cost .....	<u>\$15,926</u>		<u>\$18,871</u>		<u>\$17,327</u>		<u>\$20,123</u>		<u>\$72,247</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, 2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities .....	\$ 1,435	\$ 1	\$ (119)	\$ 1,317	1.93%
Asset-backed securities .....	726		(39)	687	0.85
Other securities .....	39	1	(1)	39	6.29
Total .....	<u>\$ 2,200</u>	<u>\$ 2</u>	<u>\$ (159)</u>	<u>\$ 2,043</u>	1.65

	December 31, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
Mortgage-backed securities .....	\$ 1,346	\$ 20	\$ (16)	\$ 1,350	2.45%
Asset-backed securities .....	691	11	(5)	697	0.76
Other securities .....	46	5		51	6.24
Total .....	<u>\$ 2,083</u>	<u>\$ 36</u>	<u>\$ (21)</u>	<u>\$ 2,098</u>	1.97

**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, 2022 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 .....	\$ 15		\$ 28		\$ 43		\$ 1,349		\$ 1,435	1.93%
Asset-backed securities .....			2		416		308		726	0.85
Other securities .....			7				32		39	6.29
Total amortized cost .....	<u>\$ 15</u>	2.49%	<u>\$ 37</u>	4.02%	<u>\$ 459</u>	0.86%	<u>\$ 1,689</u>	1.81%	<u>\$ 2,200</u>	1.65
Total fair value .....	<u>\$ 15</u>		<u>\$ 36</u>		<u>\$ 439</u>		<u>\$ 1,553</u>		<u>\$ 2,043</u>	

**Other Investments Available-for-Sale**

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

	June 30, 2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
U.S. Treasury securities .....	\$ 1,136	\$ 2	\$ (51)	\$ 1,087	1.36%
Mortgage-backed securities .....	166		(12)	154	2.84
Asset-backed securities .....	126	1		127	3.24
Other securities .....	21		(2)	19	4.79
Total .....	<u>\$ 1,449</u>	<u>\$ 3</u>	<u>\$ (65)</u>	<u>\$ 1,387</u>	1.74

	December 31, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Weighted Average Yield
U.S. Treasury securities .....	\$ 869	\$ 1	\$ (6)	\$ 864	0.63%
Mortgage-backed securities .....	186	5	(1)	190	2.32
Asset-backed securities .....	115			115	3.06
Other securities .....	20			20	3.97
Total .....	<u>\$ 1,190</u>	<u>\$ 6</u>	<u>\$ (7)</u>	<u>\$ 1,189</u>	1.19

**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, 2022 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 .....	\$ 247		\$ 502		\$ 338				\$ 1,087	1.36%
Mortgage-backed securities .....			8		3		\$ 143		154	2.84
Asset-backed securities .....					45		82		127	3.24
Other securities .....			9				10		19	4.79
Total fair value .....	<u>\$ 247</u>	0.45%	<u>\$ 519</u>	1.74%	<u>\$ 386</u>	1.84%	<u>\$ 235</u>	2.91%	<u>\$ 1,387</u>	1.74
Total amortized cost .....	<u>\$ 250</u>		<u>\$ 537</u>		<u>\$ 415</u>		<u>\$ 247</u>		<u>\$ 1,449</u>	

**Other-Than-Temporarily Impaired Investments Evaluation**

The following tables show the gross unrealized losses and fair value of the System's 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, 2022</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 .....	\$ 6,801	\$ (29)	\$ 17	\$ (3)
U.S. Treasury securities .....	18,044	(634)	2,364	(91)
U.S. agency securities .....	1,532	(50)		
Mortgage-backed securities .....	24,954	(1,533)	5,673	(578)
Asset-backed securities .....	3,572	(239)	427	(58)
Total .....	<u>\$ 54,903</u>	<u>\$ (2,485)</u>	<u>\$ 8,481</u>	<u>\$ (730)</u>

<u>December 31, 2021</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 .....	\$ 908	\$ (1)		
U.S. Treasury securities .....	12,585	(81)		
U.S. agency securities .....	41	(1)		
Mortgage-backed securities .....	12,392	(169)	\$ 4,207	\$ (102)
Asset-backed securities .....	1,509	(31)	186	(5)
Total .....	<u>\$ 27,435</u>	<u>\$ (283)</u>	<u>\$ 4,393</u>	<u>\$ (107)</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 of the *2021 Annual Information Statement*, the guidance for other-than-temporary impairment contemplates numerous factors in determining whether an impairment is other-than-temporary including: (1) whether or not an entity intends to sell the security, (2) whether it is more likely than not that an entity would be required to sell the security before recovering its costs, or (3) whether or not an entity expects to recover the security's entire amortized cost basis (even if it does not intend to sell).

System institutions perform an evaluation quarterly on a security-by-security basis considering all available information. If a Bank or Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When a Bank or Association does not intend to sell securities

in an unrealized loss position, other-than-temporary impairment is considered using various factors, including the length of time and the extent to which the fair value is less than cost, adverse conditions specifically related to the industry, geographic area and the condition of the underlying collateral, payment structure of the security, ratings by rating agencies and volatility of the fair value changes. A Bank or Association uses estimated cash flows over the remaining lives of the underlying collateral to assess whether credit losses exist. In estimating cash flows, it considers factors such as expectations of relevant market and economic data, including underlying loan level data for mortgage-backed and asset-backed securities and credit enhancements. The System did not recognize any credit impairment losses in earnings during the first six months of 2022 and 2021.

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

**NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES**

Loans outstanding consisted of the following:

	June 30, 2022	December 31, 2021
Real estate mortgage .....	\$ 169,063	\$ 164,535
Production and intermediate-term* .....	62,488	66,785
Agribusiness .....	70,377	60,647
Rural infrastructure .....	39,092	37,015
Rural residential real estate .....	6,939	6,883
Other** .....	9,347	8,064
<b>Total loans .....</b>	<b>\$ 357,306</b>	<b>\$ 343,929</b>

\* Includes lease receivables.

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

The Farm Credit Administration Uniform Loan Classification System includes five categories: acceptable, other assets especially mentioned (OAEM), substandard, doubtful and loss. The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System

as a percentage of total loans and related accrued interest receivable by loan type as of:

	June 30, 2022	December 31, 2021
<b>Real estate mortgage</b>		
Acceptable .....	96.7%	95.9%
OAEM .....	1.8	2.2
Substandard/doubtful .....	1.5	1.9
	<u>100.0</u>	<u>100.0</u>
<b>Production and intermediate-term</b>		
Acceptable .....	94.4	93.6
OAEM .....	3.2	3.5
Substandard/doubtful .....	2.4	2.9
	<u>100.0</u>	<u>100.0</u>
<b>Agribusiness</b>		
Acceptable .....	95.3	94.5
OAEM .....	2.5	3.4
Substandard/doubtful .....	2.2	2.1
	<u>100.0</u>	<u>100.0</u>
<b>Rural infrastructure</b>		
Acceptable .....	99.3	99.2
OAEM .....	0.3	0.3
Substandard/doubtful .....	0.4	0.5
	<u>100.0</u>	<u>100.0</u>
<b>Rural residential real estate</b>		
Acceptable .....	98.7	98.2
OAEM .....	0.4	0.6
Substandard/doubtful .....	0.9	1.2
	<u>100.0</u>	<u>100.0</u>
<b>Other</b>		
Acceptable .....	100.0	99.8
OAEM .....	0.0	0.2
Substandard/doubtful .....	0.0	0.0
	<u>100.0</u>	<u>100.0</u>
<b>Total Loans</b>		
Acceptable .....	96.5	95.7
OAEM .....	1.9	2.4
Substandard/doubtful .....	1.6	1.9
	<u>100.0</u>	<u>100.0</u>



**FARM CREDIT SYSTEM**

**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)**

**(unaudited)**

**(dollars in millions, except as noted)**

Impaired loans (which consist of nonaccrual loans, accruing restructured loans and accruing loans 90 days or more past due) are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the

loan. The following tables present information concerning impaired loans and include both the principal outstanding and the related accrued interest receivable on these loans.

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Nonaccrual loans:		
Current as to principal and interest .....	\$ 775	\$ 749
Past due .....	439	427
Total nonaccrual loans .....	1,214	1,176
Impaired accrual loans:		
Restructured accrual loans .....	264	252
Accrual loans 90 days or more past due .....	265	111
Total impaired accrual loans .....	529	363
Total impaired loans .....	\$ 1,743	\$ 1,539

**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 impaired loans and other property owned) in a more detailed manner than the previous table.

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Nonaccrual loans:		
Real estate mortgage .....	\$ 580	\$ 610
Production and intermediate-term .....	363	310
Agribusiness .....	154	121
Rural infrastructure .....	86	98
Rural residential real estate .....	31	37
Total nonaccrual loans .....	<u>1,214</u>	<u>1,176</u>
Accruing restructured loans:		
Real estate mortgage .....	158	170
Production and intermediate-term .....	48	48
Agribusiness .....	30	11
Rural residential real estate .....	28	23
Total accruing restructured loans .....	<u>264</u>	<u>252</u>
Accruing loans 90 days or more past due:		
Real estate mortgage .....	230	93
Production and intermediate-term .....	32	12
Agribusiness .....	2	
Rural residential real estate .....	1	6
Total accruing loans 90 days or more past due .....	<u>265</u>	<u>111</u>
Total nonperforming loans .....	1,743	1,539
Other property owned .....	26	39
Total nonperforming assets .....	<u>\$ 1,769</u>	<u>\$ 1,578</u>

The following table reflects certain related credit quality statistics:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Nonaccrual loans as a percentage of total loans .....	0.34%	0.34%
Nonperforming assets as a percentage of total loans and other property owned .....	0.50	0.46
Nonperforming assets as a percentage of capital .....	2.57	2.27

Commitments to lend additional funds to borrowers whose loans were classified as impaired were \$37 million at June 30, 2022 and \$57 million at December 31, 2021.

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

Additional impaired loan information by class is as follows:

	June 30, 2022			December 31, 2021		
	Recorded Investment*	Unpaid Principal Balance**	Related Allowance	Recorded Investment*	Unpaid Principal Balance**	Related Allowance
Impaired loans with a related allowance for loan losses:						
Real estate mortgage .....	\$ 82	\$ 88	\$ 21	\$ 104	\$ 111	\$ 31
Production and intermediate-term .....	133	147	40	135	162	41
Agribusiness .....	101	106	44	78	82	35
Rural infrastructure .....	82	83	22	98	99	23
Rural residential real estate .....	25	25	1	20	20	1
Total .....	423	449	128	435	474	131
Impaired loans with no related allowance for loan losses:						
Real estate mortgage .....	886	996		769	896	
Production and intermediate-term .....	310	444		235	386	
Agribusiness .....	85	126		54	94	
Rural infrastructure .....	4	26			2	
Rural residential real estate .....	35	40		46	50	
Total .....	1,320	1,632		1,104	1,428	
Total impaired loans:						
Real estate mortgage .....	968	1,084	21	873	1,007	31
Production and intermediate-term .....	443	591	40	370	548	41
Agribusiness .....	186	232	44	132	176	35
Rural infrastructure .....	86	109	22	98	101	23
Rural residential real estate .....	60	65	1	66	70	1
Total .....	\$ 1,743	\$ 2,081	\$ 128	\$ 1,539	\$ 1,902	\$ 131

\* The recorded investment is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

\*\* Unpaid principal balance represents the contractual principal balance of the loan.

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

	For the Three Months Ended				For the Six Months Ended			
	June 30, 2022		June 30, 2021		June 30, 2022		June 30, 2021	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:								
Real estate mortgage .....	\$ 82	\$ 1	\$ 134	\$ 2	\$ 89	\$ 1	\$ 142	\$ 2
Production and intermediate-term .....	125		184		128	1	189	1
Agribusiness .....	74		71		75		75	
Rural infrastructure .....	83		56		90		43	
Rural residential real estate .....	25		10		24		9	
Total .....	<u>389</u>	<u>1</u>	<u>455</u>	<u>2</u>	<u>406</u>	<u>2</u>	<u>458</u>	<u>3</u>
Impaired loans with no related allowance for loan losses:								
Real estate mortgage .....	821	13	908	14	796	27	939	28
Production and intermediate-term .....	250	10	315	8	245	17	326	15
Agribusiness .....	82	2	60	7	76	2	55	7
Rural infrastructure .....	22		14		11		10	
Rural residential real estate .....	36	1	45	1	38	2	45	2
Total .....	<u>1,211</u>	<u>26</u>	<u>1,342</u>	<u>30</u>	<u>1,166</u>	<u>48</u>	<u>1,375</u>	<u>52</u>
Total impaired loans:								
Real estate mortgage .....	903	14	1,042	16	885	28	1,081	30
Production and intermediate-term .....	375	10	499	8	373	18	515	16
Agribusiness .....	156	2	131	7	151	2	130	7
Rural infrastructure .....	105		70		101		53	
Rural residential real estate .....	61	1	55	1	62	2	54	2
Total .....	<u>\$ 1,600</u>	<u>\$ 27</u>	<u>\$ 1,797</u>	<u>\$ 32</u>	<u>\$ 1,572</u>	<u>\$ 50</u>	<u>\$ 1,833</u>	<u>\$ 55</u>

**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 (including accrued interest) by portfolio segment:

	<b>June 30, 2022</b>					
	<b>30-89 Days Past Due</b>	<b>90 Days or More Past Due</b>	<b>Total Past Due</b>	<b>Not Past Due or less than 30 Days Past Due</b>	<b>Total Loans and Accrued Interest</b>	<b>Recorded Investment &gt;90 Days and Accruing</b>
Real estate mortgage .....	\$ 426	\$ 380	\$ 806	\$ 169,858	\$ 170,664	\$ 230
Production and intermediate-term ...	278	131	409	62,586	62,995	32
Agribusiness .....	49	11	60	70,565	70,625	2
Rural infrastructure .....		55	55	39,147	39,202	
Rural residential real estate .....	22	13	35	6,925	6,960	1
Other .....				9,367	9,367	
Total .....	<u>\$ 775</u>	<u>\$ 590</u>	<u>\$ 1,365</u>	<u>\$ 358,448</u>	<u>\$ 359,813</u>	<u>\$ 265</u>

	<b>December 31, 2021</b>					
	<b>30-89 Days Past Due</b>	<b>90 Days or More Past Due</b>	<b>Total Past Due</b>	<b>Not Past Due or less than 30 Days Past Due</b>	<b>Total Loans and Accrued Interest</b>	<b>Recorded Investment &gt;90 Days and Accruing</b>
Real estate mortgage .....	\$ 553	\$ 252	\$ 805	\$ 165,260	\$ 166,065	\$ 93
Production and intermediate-term ...	207	126	333	66,975	67,308	12
Agribusiness .....	20	15	35	60,787	60,822	
Rural infrastructure .....	56	56	112	37,003	37,115	
Rural residential real estate .....	43	16	59	6,845	6,904	6
Other .....				8,078	8,078	
Total .....	<u>\$ 879</u>	<u>\$ 465</u>	<u>\$ 1,344</u>	<u>\$ 344,948</u>	<u>\$ 346,292</u>	<u>\$ 111</u>

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

A summary of changes in the allowance for loan losses and the recorded investment for loans outstanding by portfolio segment follows:

	Real estate mortgage	Production and intermediate- term	Agribusiness	Rural infrastructure	Rural residential real estate	Other	Total
<b>Allowance for Loan Losses:</b>							
Balance at March 31, 2022	\$ 386	\$ 413	\$ 632	\$ 182	\$ 14	\$ 28	\$ 1,655
Charge-offs	(1)	(3)	(5)	(19)			(28)
Recoveries	1	6	1				8
Provision for loan losses (loan loss reversal)	(8)	(19)	3	29		1	6
Reclassification (to) from reserve for unfunded commitments*	(3)		(23)	(1)			(27)
Balance at June 30, 2022	<u>\$ 375</u>	<u>\$ 397</u>	<u>\$ 608</u>	<u>\$ 191</u>	<u>\$ 14</u>	<u>\$ 29</u>	<u>\$ 1,614</u>
Balance at March 31, 2021	\$ 519	\$ 510	\$ 556	\$ 186	\$ 18	\$ 28	\$ 1,817
Charge-offs	(1)	(11)	(2)				(14)
Recoveries	1	10	6	9			26
(Loan loss reversal) provision for loan losses	(21)	(32)	(5)	3	(1)	(2)	(58)
Reclassification (to) from reserve for unfunded commitments*	1	8	2	(1)			10
Balance at June 30, 2021	<u>\$ 499</u>	<u>\$ 485</u>	<u>\$ 557</u>	<u>\$ 197</u>	<u>\$ 17</u>	<u>\$ 26</u>	<u>\$ 1,781</u>
Balance at December 31, 2021	\$ 415	\$ 464	\$ 526	\$ 186	\$ 15	\$ 26	\$ 1,632
Charge-offs	(3)	(6)	(5)	(19)	(1)		(34)
Recoveries	2	15	1	1			19
Provision for loan losses (loan loss reversal)	(36)	(77)	89	22		3	1
Adjustment due to merger	(3)	(3)	(2)				(8)
Reclassification (to) from reserve for unfunded commitments*		4	(1)	1			4
Balance at June 30, 2022	<u>\$ 375</u>	<u>\$ 397</u>	<u>\$ 608</u>	<u>\$ 191</u>	<u>\$ 14</u>	<u>\$ 29</u>	<u>\$ 1,614</u>
Balance at December 31, 2020	\$ 538	\$ 532	\$ 507	\$ 172	\$ 19	\$ 28	\$ 1,796
Charge-offs	(3)	(18)	(4)		(1)		(26)
Recoveries	2	16	6	9			33
(Loan loss reversal) provision for loan losses	(38)	(49)	44	16	(1)	(2)	(30)
Reclassification (to) from reserve for unfunded commitments*		4	4				8
Balance at June 30, 2021	<u>\$ 499</u>	<u>\$ 485</u>	<u>\$ 557</u>	<u>\$ 197</u>	<u>\$ 17</u>	<u>\$ 26</u>	<u>\$ 1,781</u>
Ending Balance at June 30, 2022:							
Individually evaluated for impairment	\$ 21	\$ 40	\$ 44	\$ 22	\$ 1		\$ 128
Collectively evaluated for impairment	354	357	564	169	13	\$ 29	1,486
Balance at June 30, 2022	<u>\$ 375</u>	<u>\$ 397</u>	<u>\$ 608</u>	<u>\$ 191</u>	<u>\$ 14</u>	<u>\$ 29</u>	<u>\$ 1,614</u>
Ending Balance at December 31, 2021:							
Individually evaluated for impairment	\$ 31	\$ 41	\$ 35	\$ 23	\$ 1		\$ 131
Collectively evaluated for impairment	384	423	491	163	14	\$ 26	1,501
Balance at December 31, 2021	<u>\$ 415</u>	<u>\$ 464</u>	<u>\$ 526</u>	<u>\$ 186</u>	<u>\$ 15</u>	<u>\$ 26</u>	<u>\$ 1,632</u>

\* Represents reclassifications between the allowance for loan losses and the reserve for unfunded commitments as a result of advances on or repayments of seasonal lines of credit or other loans.

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

	<b>Real estate mortgage</b>	<b>Production and intermediate- term</b>	<b>Agribusiness</b>	<b>Rural infrastructure</b>	<b>Rural residential real estate</b>	<b>Other</b>	<b>Total</b>
<b>Recorded Investments in Loans Outstanding:</b>							
Ending Balance at June 30, 2022:							
Loans individually evaluated for impairment .....	\$ 1,078	\$ 434	\$ 183	\$ 87	\$ 600	\$ 111	\$ 2,493
Loans collectively evaluated for impairment .....	169,586	62,561	70,442	39,115	6,360	9,256	357,320
Balance at June 30, 2022 .....	<u>\$ 170,664</u>	<u>\$ 62,995</u>	<u>\$ 70,625</u>	<u>\$ 39,202</u>	<u>\$ 6,960</u>	<u>\$ 9,367</u>	<u>\$ 359,813</u>
Ending balance at December 31, 2021:							
Loans individually evaluated for impairment .....	\$ 1,004	\$ 371	\$ 133	\$ 97	\$ 654	\$ 84	\$ 2,343
Loans collectively evaluated for impairment .....	165,061	66,937	60,689	37,018	6,250	7,994	343,949
Balance at December 31, 2021 .....	<u>\$ 166,065</u>	<u>\$ 67,308</u>	<u>\$ 60,822</u>	<u>\$ 37,115</u>	<u>\$ 6,904</u>	<u>\$ 8,078</u>	<u>\$ 346,292</u>

A restructuring of a loan constitutes a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the

acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. When a restructured loan constitutes a troubled debt restructuring, these loans are included within our impaired loans under nonaccrual or accruing restructured loans. All impaired loans are analyzed within our allowance for loan losses.

The following table presents additional information regarding troubled debt restructurings that occurred during the following periods:

	<b>For the Three Months Ended June 30, 2022</b>		<b>For the Three Months Ended June 30, 2021</b>	
	<b>Pre-modification Outstanding Recorded Investment*</b>	<b>Post-modification Outstanding Recorded Investment*</b>	<b>Pre-modification Outstanding Recorded Investment*</b>	<b>Post-modification Outstanding Recorded Investment*</b>
Troubled debt restructurings:				
Real estate mortgage .....	\$ 13	\$ 13	\$ 7	\$ 7
Production and intermediate-term .....	20	20	12	14
Agribusiness .....	1	1	4	4
Rural residential real estate .....	2	3	3	3
Total .....	<u>\$ 36</u>	<u>\$ 37</u>	<u>\$ 26</u>	<u>\$ 28</u>

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

	For the Six Months Ended June 30, 2022		For the Six Months Ended June 30, 2021	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:				
Real estate mortgage .....	\$ 20	\$ 20	\$ 30	\$ 30
Production and intermediate-term .....	34	34	17	19
Agribusiness .....	3	3	15	15
Rural residential real estate .....	10	11	4	4
<b>Total .....</b>	<b>\$ 67</b>	<b>\$ 68</b>	<b>\$ 66</b>	<b>\$ 68</b>

\* Pre-modification represents the recorded investment just prior to restructuring and post-modification represents the recorded investment immediately following the restructuring. The recorded investment is the face amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

The following table presents information regarding troubled debt restructurings that occurred within the previous 12 months and for which there was a payment default during the period:

	Recorded Investment	
	June 30, 2022	June 30, 2021
Troubled debt restructurings that subsequently defaulted:		
Real estate mortgage .....		\$ 4
Production and intermediate-term .....	\$ 3	1
Rural residential real estate .....	3	
<b>Total .....</b>	<b>\$ 6</b>	<b>\$ 5</b>

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

	Loans Modified as Troubled Debt Restructurings		Troubled Debt Restructurings in Nonaccrual Status*	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Real estate mortgage .....	\$ 233	\$ 252	\$ 75	\$ 82
Production and intermediate-term .....	106	109	58	61
Agribusiness .....	35	20	5	9
Rural infrastructure .....		2		2
Rural residential real estate .....	33	28	5	5
<b>Total .....</b>	<b>\$ 407</b>	<b>\$ 411</b>	<b>\$ 143</b>	<b>\$ 159</b>

\* Represents the portion of loans modified as troubled debt restructurings that are in nonaccrual status.



**FARM CREDIT SYSTEM**  
**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)**  
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Additional commitments to lend to borrowers whose loans have been modified in troubled debt restructurings were \$10 million at June 30, 2022 and \$14 million at December 31, 2021.

Loans held for sale were \$35 million and \$33 million at June 30, 2022 and December 31, 2021. Such loans are included in other assets and are carried at the lower of cost or fair value.

**NOTE 4 — OTHER ASSETS AND OTHER LIABILITIES**

Other assets consisted of the following:

	June 30, 2022	December 31, 2021
Equipment held for lease .....	\$ 746	\$ 718
Interest rate swaps and other derivatives .....	645	483
Investments in rural business investment companies .....	276	239
Assets held in non-qualified benefits trusts .....	226	244
Accounts receivable .....	220	328
Operating lease right-of-use assets .....	154	158
Prepaid expenses .....	137	101
Equity investments in other System institutions .....	132	124
Loans held for sale .....	35	33
Other property owned .....	26	39
Net deferred tax assets .....	8	8
Collateral pledged to derivative counterparties .....	1	106
Other .....	145	106
<b>Total .....</b>	<b><u>\$ 2,751</u></b>	<b><u>\$ 2,687</u></b>

Other liabilities consisted of the following:

	June 30, 2022	December 31, 2021
Patronage and dividends payable .....	\$ 840	\$ 2,764
Interest rate swaps and other derivatives .....	791	412
Pension and other postretirement benefit plan liabilities .....	666	769
Accounts payable .....	534	1,154
Net deferred tax liabilities ..	515	653
Collateral held from derivative counterparties ...	379	1
Accrued salaries and employee benefits .....	303	460
Reserve for unfunded commitments .....	185	189
Operating lease liabilities...	168	173
Liabilities held in non-qualified benefit trusts .....	150	159
Bank drafts payable .....	128	141
Other .....	130	302
<b>Total .....</b>	<b><u>\$ 4,789</u></b>	<b><u>\$ 7,177</u></b>

**NOTE 5 — 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

**FARM CREDIT SYSTEM**

**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)**

(unaudited)

(dollars in millions, except as noted)

obligations. The agreement provides for advances of up to \$10 billion and terminates on September 30, 2022, unless otherwise renewed. The decision whether to seek funds from the 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, 2022, assets in the Insurance Fund totaled \$6.304 billion and consisted of cash, investments and related accrued interest receivable of

\$5.986 billion and of premiums receivable from System institutions of \$318 million accrued on the basis of adjusted outstanding insured debt during the first six months of 2022. 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 2022, income earned on assets in the Insurance Fund and premiums accrued by the Insurance Corporation totaled \$344 million, net of administrative expenses.

**NOTE 6 — SYSTEMWIDE DEBT SECURITIES**

Aggregate maturities and the weighted average interest rate of Systemwide Debt Securities were as follows at June 30, 2022:

	<b>Bonds</b>		<b>Medium-term notes</b>		<b>Discount notes</b>		<b>Total</b>	
	<b>Amount</b>	<b>Weighted Average Interest Rate</b>	<b>Amount</b>	<b>Weighted Average Interest Rate</b>	<b>Amount</b>	<b>Weighted Average Interest Rate</b>	<b>Amount</b>	<b>Weighted Average Interest Rate</b>
Due in 1 year or less .....	\$ 111,612	1.15%			\$ 23,550	1.05%	\$ 135,162	1.13%
Due after 1 year through 2 years .....	94,156	1.30					94,156	1.30
Due after 2 years through 3 years .....	28,924	1.19					28,924	1.19
Due after 3 years through 4 years .....	19,267	1.28					19,267	1.28
Due after 4 years through 5 years .....	19,485	1.51					19,485	1.51
Due after 5 years .....	77,754	2.26	\$ 64	5.75%			77,818	2.26
Total .....	<u>\$ 351,198</u>	1.47	<u>\$ 64</u>	5.75	<u>\$ 23,550</u>	1.05	<u>\$ 374,812</u>	1.44

**NOTE 7 — MERGERS OF SYSTEM INSTITUTIONS AND OTHER TRANSACTIONS**

As discussed in the *2021 Annual Information Statement*, the primary reason for System entity mergers is based on a determination that the combined organization would be financially and operationally stronger with an enhanced ability to fulfill its mission.

Effective January 1, 2022, two Associations in the AgriBank District merged and another two Associations in the CoBank District merged. The following table summarizes the fair values of the identifiable assets acquired and liabilities assumed for the mergers as of January 1, 2022:

	<b>Fair Value</b>
Total assets acquired .....	\$ 2,034
Total liabilities assumed .....	1,548
Net assets acquired .....	<u>\$ 486</u>

The assets acquired included gross loans at fair value of \$1.922 billion with a contractual amount of \$1.940 billion. As of January 1, 2022, the gross contractual amount of loans not expected to be collected was \$1 million.

On May 1, 2022, one Association in the AgriBank District with assets of less than \$50 million, that had previously determined to voluntarily dissolve, sold its loan portfolio to another District Association. The remaining assets are under the control of the liquidation agent. The timing of the final liquidation is unknown.

**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, 2022:

	<u>Combined Banks</u>	<u>Combined Associations</u>	<u>Combination Entries</u>	<u>System Combined</u>
Preferred stock .....	\$ 2,643	\$ 803		\$ 3,446
Capital stock and participation certificates .....	8,432	517	\$ (6,851)	2,098
Additional paid-in-capital .....	64	4,202		4,266
Restricted capital — Insurance Fund .....			6,304	6,304
Accumulated other comprehensive loss .....	(2,939)	(239)	(817)	(3,995)
Retained earnings .....	12,738	44,646	(575)	56,809
Total capital .....	<u>\$ 20,938</u>	<u>\$ 49,929</u>	<u>\$ (1,939)</u>	<u>\$ 68,928</u>

Preferred stock issued and outstanding reflects the issuance by three Banks and six Associations. Combined System retained earnings reflected net eliminations of \$575 million representing transactions between the Banks, the Associations and/or the Insurance Fund. Capital stock and participation certificates of the Banks amounting to \$6.9 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 first quarter of 2022, CoBank redeemed all outstanding shares of its \$200 million 6.125% non-cumulative perpetual preferred stock at par. In addition, CoBank purchased and retired \$60

million of its three-month LIBOR plus 1.18% non-cumulative perpetual preferred stock during the first six months of 2022.

During the second quarter of 2022, AgFirst redeemed \$32 million of its three-month LIBOR plus 1.13% non-cumulative perpetual preferred stock. Also during the second quarter of 2022, one Association redeemed approximately \$247 million of Class H 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.

Accumulated other comprehensive loss was comprised of the following components:

	<u>June 30, 2022</u>			<u>December 31, 2021</u>		
	<u>Before Tax</u>	<u>Deferred Tax</u>	<u>Net of Tax</u>	<u>Before Tax</u>	<u>Deferred Tax</u>	<u>Net of Tax</u>
Unrealized gains/losses on investments available-for-sale, net .....	\$ (3,036)	\$ 113	\$ (2,923)	\$ 189	\$ (50)	\$ 139
Unrealized losses on cash flow hedges, net .....	(17)	8	(9)	(240)	8	(232)
Pension and other benefit plans .....	(1,076)	13	(1,063)	(1,130)	13	(1,117)
Total .....	<u>\$ (4,129)</u>	<u>\$ 134</u>	<u>\$ (3,995)</u>	<u>\$ (1,181)</u>	<u>\$ (29)</u>	<u>\$ (1,210)</u>

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

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, 2022 and 2021:

	<b>Unrealized losses on investments available- for-sale, net</b>	<b>Unrealized losses on cash flow hedges, net</b>	<b>Pension and other benefit plans</b>	<b>Accumulated other comprehensive loss</b>
Balance at March 31, 2022	\$ (1,793)	\$ (108)	\$ (1,090)	\$ (2,991)
Other comprehensive (loss) income before reclassifications	(1,134)	88		(1,046)
Amounts reclassified from accumulated other comprehensive loss to income	4	11	27	42
Net current period other comprehensive (loss) income	(1,130)	99	27	(1,004)
Balance at June 30, 2022	<u>\$ (2,923)</u>	<u>\$ (9)</u>	<u>\$ (1,063)</u>	<u>\$ (3,995)</u>
	<b>Unrealized gains on investments available- for-sale, net</b>	<b>Unrealized losses on cash flow hedges, net</b>	<b>Pension and other benefit plans</b>	<b>Accumulated other comprehensive loss</b>
Balance at March 31, 2021	\$ 669	\$ (239)	\$ (1,390)	\$ (960)
Other comprehensive income (loss) before reclassifications	50	(39)		11
Amounts reclassified from accumulated other comprehensive loss to income		14	37	51
Net current period other comprehensive income (loss)	50	(25)	37	62
Balance at June 30, 2021	<u>\$ 719</u>	<u>\$ (264)</u>	<u>\$ (1,353)</u>	<u>\$ (898)</u>
	<b>Unrealized gains/losses on investments available-for- sale, net</b>	<b>Unrealized losses on cash flow hedges, net</b>	<b>Pension and other benefit plans</b>	<b>Accumulated other comprehensive loss</b>
Balance at December 31, 2021	\$ 139	\$ (232)	\$ (1,117)	\$ (1,210)
Other comprehensive (loss) income before reclassifications	(3,065)	201	1	(2,863)
Amounts reclassified from accumulated other comprehensive loss to income	3	22	53	78
Net current period other comprehensive (loss) income	(3,062)	223	54	(2,785)
Balance at June 30, 2022	<u>\$ (2,923)</u>	<u>\$ (9)</u>	<u>\$ (1,063)</u>	<u>\$ (3,995)</u>
	<b>Unrealized gains on investments available-for- sale, net</b>	<b>Unrealized losses on cash flow hedges, net</b>	<b>Pension and other benefit plans</b>	<b>Accumulated other comprehensive loss</b>
Balance at December 31, 2020	\$ 1,157	\$ (353)	\$ (1,425)	\$ (621)
Other comprehensive (loss) income before reclassifications	(436)	63		(373)
Amounts reclassified from accumulated other comprehensive loss to income	(2)	26	72	96
Net current period other comprehensive (loss) income	(438)	89	72	(277)
Balance at June 30, 2021	<u>\$ 719</u>	<u>\$ (264)</u>	<u>\$ (1,353)</u>	<u>\$ (898)</u>

**FARM CREDIT SYSTEM**

**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)**

**(unaudited)**

**(dollars in millions, except as noted)**

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.

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:

<b>Ratio</b>	<b>Minimum Requirement</b>	<b>Minimum Requirement with Buffer</b>
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, 2022, all System institutions complied with these standards.

**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 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 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:

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Service cost .....	\$ 15	\$ 16		\$ 1
Interest cost .....	29	26	\$ 3	2
Expected return on plan assets .....	(50)	(48)		
Net amortization and deferral .....	28	40		1
Curtailments and settlements .....	1	3		
Net periodic benefit cost .....	<u>\$ 23</u>	<u>\$ 37</u>	<u>\$ 3</u>	<u>\$ 4</u>

**FARM CREDIT SYSTEM**

**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)**

**(unaudited)**

**(dollars in millions, except as noted)**

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

	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
Service cost .....	\$ 29	\$ 32	\$ 1	\$ 2
Interest cost .....	59	53	5	4
Expected return on plan assets .....	(100)	(96)		
Net amortization and deferral .....	56	75		2
Curtailments and settlements .....	1	3		
Net periodic benefit cost .....	\$ 45	\$ 67	\$ 6	\$ 8

The components of net periodic benefit cost other than the service cost component are included in

**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

the line item other expense in the Condensed Combined Statement of Income.

As of June 30, 2022, \$93 million and \$7 million of contributions have been made to pension and other postretirement benefit plans. System institutions presently anticipate contributing an additional \$99 million to fund their pension plans and \$6 million to fund their other postretirement benefit plans during the remainder of 2022.

advantageous market for the asset or liability. See Note 2 — Summary of Significant Accounting Policies in the *2021 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, 2022 and December 31, 2021 for each of the fair value hierarchy levels are summarized below:

<u>June 30, 2022</u>	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Federal funds sold and securities purchased under resale agreements .....		\$ 12,425		\$ 12,425
Commercial paper, bankers' acceptances, certificates of deposit and other securities .....		7,799	\$ 19	7,818
U.S. Treasury securities .....		25,291		25,291
U.S. agency securities .....		2,069		2,069
Mortgage-backed securities .....		31,086	76	31,162
Asset-backed securities .....		4,324		4,324
Derivative assets .....		645		645
Assets held in non-qualified benefits trusts .....	\$ 226			226
<b>Total assets .....</b>	<b>\$ 226</b>	<b>\$ 83,639</b>	<b>\$ 95</b>	<b>\$ 83,960</b>
Liabilities:				
Derivative liabilities .....		\$ 791		\$ 791
Collateral liabilities .....		379		379
Standby letters of credit .....			\$ 20	20
<b>Total liabilities .....</b>	<b>\$ 0</b>	<b>\$ 1,170</b>	<b>\$ 20</b>	<b>\$ 1,190</b>

<u>December 31, 2021</u>	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Federal funds sold and securities purchased under resale agreements .....		\$ 6,094		\$ 6,094
Commercial paper, bankers' acceptances, certificates of deposit and other securities .....		4,667	\$ 20	4,687
U.S. Treasury securities .....		26,099		26,099
U.S. agency securities .....		2,162		2,162
Mortgage-backed securities .....		30,249	145	30,394
Asset-backed securities .....		3,749		3,749
Derivative assets .....		483		483
Assets held in non-qualified benefits trusts .....	\$ 244			244
<b>Total assets .....</b>	<b>\$ 244</b>	<b>\$ 73,503</b>	<b>\$ 165</b>	<b>\$ 73,912</b>
Liabilities:				
Derivative liabilities .....		\$ 412		\$ 412
Collateral liabilities .....		1		1
Standby letters of credit .....			\$ 21	21
<b>Total liabilities .....</b>	<b>\$ 0</b>	<b>\$ 413</b>	<b>\$ 21</b>	<b>\$ 434</b>

**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, 2022 and 2021:

	<b>Commercial paper, bankers' acceptances, certificates of deposit and other securities</b>	<b>Mortgage-backed securities</b>	<b>Standby letters of credit</b>
Balance at March 31, 2022 .....	\$ 16	\$ 213	\$ 21
Total gains or (losses) realized/unrealized:			
Included in other comprehensive loss .....	(2)	(2)	
Purchases .....	5		
Issuances .....			4
Settlements .....		(3)	(5)
Transfers from Level 3 into Level 2 .....		(132)	
Balance at June 30, 2022 .....	<u>\$ 19</u>	<u>\$ 76</u>	<u>\$ 20</u>
The amount of gains/losses for the period included in other comprehensive loss attributable to the change in unrealized gains or losses relating to assets or liabilities still held at June 30, 2022 .....	<u>\$ (2)</u>	<u>\$ (2)</u>	<u>\$ 0</u>

	<b>Commercial paper, bankers' acceptances, certificates of deposit and other securities</b>	<b>Mortgage-backed securities</b>	<b>Asset- backed securities</b>	<b>Standby letters of credit</b>
Balance at March 31, 2021 .....	\$ 13	\$ 142	\$ 12	\$ 18
Purchases .....	3	253		
Issuances .....				6
Settlements .....		(6)		(3)
Transfers from Level 3 into Level 2 .....		(41)	(12)	
Balance at June 30, 2021 .....	<u>\$ 16</u>	<u>\$ 348</u>	<u>\$ 0</u>	<u>\$ 21</u>
The amount of gains/losses for the period included in other comprehensive loss attributable to the change in unrealized gains or losses relating to assets or liabilities still held at June 30, 2021 .....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

There were no losses included in earnings during either the second quarter of 2022 or 2021 that were attributable to the change in unrealized gains or losses

relating to assets or liabilities still held at June 30, 2022 and 2021.



**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, 2022 and 2021:

	<b>Commercial paper, bankers' acceptances, certificates of deposit and other securities</b>	<b>Mortgage-backed securities</b>	<b>Standby letters of credit</b>
Balance at December 31, 2021 .....	\$ 20	\$ 145	\$ 21
Total gains or (losses) realized/unrealized:			
Included in other comprehensive loss .....	(2)	(4)	
Purchases .....	10	134	
Issuances .....			9
Settlements .....	(9)	(8)	(10)
Transfers from Level 3 into Level 2 .....		(191)	
Balance at June 30, 2022 .....	<u>\$ 19</u>	<u>\$ 76</u>	<u>\$ 20</u>
The amount of gains/losses for the period included in other comprehensive loss attributable to the change in unrealized gains or losses relating to assets or liabilities still held at June 30, 2022 .....	<u>\$ (2)</u>	<u>\$ (4)</u>	<u>\$ 0</u>

	<b>Commercial paper, bankers' acceptances, certificates of deposit and other securities</b>	<b>Mortgage-backed securities</b>	<b>Asset- backed securities</b>	<b>Standby letters of credit</b>
Balance at December 31, 2020 .....	\$ 13	\$ 183	\$ 0	\$ 17
Total gains or (losses) realized/unrealized:				
Included in other comprehensive loss .....	(1)			
Purchases .....	4	293	12	
Issuances .....				9
Settlements .....		(11)		(5)
Transfers from Level 3 into Level 2 .....		(117)	(12)	
Balance at June 30, 2021 .....	<u>\$ 16</u>	<u>\$ 348</u>	<u>\$ 0</u>	<u>\$ 21</u>
The amount of gains/losses for the period included in other comprehensive loss attributable to the change in unrealized gains or losses relating to assets or liabilities still held at June 30, 2021 .....	<u>\$ (1)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

There were no losses included in earnings during the first six months of 2022 and 2021 that were attributable to the change in unrealized gains or losses relating to assets or liabilities still held at June 30, 2022 and 2021.

Level 3 assets measured at fair value on a non-recurring basis included loans of \$324 million and other property owned of \$31 million at June 30, 2022, as compared to \$333 million and \$43 million at December 31, 2021.

The transfers between Level 3 and Level 2 during the three and six months ended June 30, 2022 and 2021 were due to changes in the sources of pricing information.

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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:

	<b>June 30, 2022</b>				
	<b>Total Carrying Amount</b>	<b>Fair Value Measurement Using</b>			<b>Total Fair Value</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Assets:</b>					
Cash .....	\$ 1,850	\$ 1,850			\$ 1,850
Other investments held-to-maturity .....	2,200		\$ 505	\$ 1,538	2,043
Net loans .....	355,692			348,688	348,688
<b>Total assets .....</b>	<b>\$ 359,742</b>	<b>\$ 1,850</b>	<b>\$ 505</b>	<b>\$ 350,226</b>	<b>\$ 352,581</b>
<b>Liabilities:</b>					
Systemwide Debt Securities .....	\$ 374,812			\$ 361,436	\$ 361,436
Subordinated debt .....	398			328	328
Other bonds .....	3,938			3,938	3,938
Other interest bearing liabilities .....	2,475		\$ 17	2,362	2,379
<b>Total liabilities .....</b>	<b>\$ 381,623</b>	<b>\$ 0</b>	<b>\$ 17</b>	<b>\$ 368,064</b>	<b>\$ 368,081</b>
<b>Other financial instruments:</b>					
Commitments to extend credit .....				\$ 245	\$ 245

	<b>December 31, 2021</b>				
	<b>Total Carrying Amount</b>	<b>Fair Value Measurement Using</b>			<b>Total Fair Value</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Assets:</b>					
Cash .....	\$ 5,548	\$ 5,548			\$ 5,548
Other investments held-to-maturity .....	2,083		\$ 462	\$ 1,636	2,098
Net loans .....	342,297			350,369	350,369
<b>Total assets .....</b>	<b>\$ 349,928</b>	<b>\$ 5,548</b>	<b>\$ 462</b>	<b>\$ 352,005</b>	<b>\$ 358,015</b>
<b>Liabilities:</b>					
Systemwide Debt Securities .....	\$ 352,823			\$ 353,306	\$ 353,306
Subordinated debt .....	398			397	397
Other bonds .....	3,623			3,623	3,623
Other interest bearing liabilities .....	1,809		\$ 11	1,787	1,798
<b>Total liabilities .....</b>	<b>\$ 358,653</b>	<b>\$ 0</b>	<b>\$ 11</b>	<b>\$ 359,113</b>	<b>\$ 359,124</b>
<b>Other financial instruments:</b>					
Commitments to extend credit .....				\$ 244	\$ 244

**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)**

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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, 2022	December 31, 2021			June 30, 2022	December 31, 2021
Commercial paper, bankers' acceptances, certificates of deposit and other securities.....	\$ 19	\$ 20	Discounted cash flow	Prepayment rate	0.0%	0.0%
Mortgage-backed securities...	\$ 11	\$ 14	Discounted cash flow	Prepayment rate	1.4%-44.5%	1.4%-44.5%
	65	131	Vendor priced			
	<u>\$ 76</u>	<u>\$ 145</u>				
Standby letters of credit.....	<u>\$ 20</u>	<u>\$ 21</u>	Discounted cash flow	Rate of funding	50.0%	50.0%
				Risk-adjusted spread	0.1%-1.3%	0.1%-1.4%

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

**Valuation Techniques**

As more fully discussed in Note 2 — Summary of Significant Accounting Policies, in the *2021 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

**FARM CREDIT SYSTEM**  
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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 LIBOR, 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 marketplace.

***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 loans 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.

***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.

**FARM CREDIT SYSTEM**  
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**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).

In addition, as of June 30, 2022, the System had put option contracts with a total notional of 478,000 barrels of oil to protect against a decline in oil prices impacting mineral income.

**FARM CREDIT SYSTEM**  
**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)**  
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The primary types of derivative instruments used and the amount of activity (notional amount of derivatives) during the six months ended June 30, 2022 and 2021 are summarized in the following tables:

	Receive- Fixed Swaps	Pay-Fixed and Amortizing Pay- Fixed Swaps	Floating-for- Floating and Amortizing Floating-for- Floating	Interest Rate Caps and Floors	Other Derivatives	Total
Balance at December 31, 2021.....	\$ 17,847	\$ 31,775	\$ 1,400	\$ 4,143	\$ 11,872	\$ 67,037
Additions.....	9,149	45,274	19,600	59	2,515	76,597
Maturities/amortization.....	(2,203)	(44,254)	(7,800)	(446)	(2,354)	(57,057)
Terminations.....	(1,179)	(745)			(739)	(2,663)
Balance at June 30, 2022.....	<u>\$ 23,614</u>	<u>\$ 32,050</u>	<u>\$ 13,200</u>	<u>\$ 3,756</u>	<u>\$ 11,294</u>	<u>\$ 83,914</u>

	Receive- Fixed Swaps	Pay-Fixed and Amortizing Pay- Fixed Swaps	Floating-for- Floating and Amortizing Floating-for- Floating	Interest Rate Caps and Floors	Other Derivatives	Total
Balance at December 31, 2020.....	\$ 14,780	\$ 23,466	\$ 2,000	\$ 6,196	\$ 11,297	\$ 57,739
Additions.....	1,070	37,878		91	2,561	41,600
Maturities/amortization.....	(3,170)	(35,702)	(600)	(38)	(2,445)	(41,955)
Terminations.....		(1,054)			(337)	(1,391)
Balance at June 30, 2021.....	<u>\$ 12,680</u>	<u>\$ 24,588</u>	<u>\$ 1,400</u>	<u>\$ 6,249</u>	<u>\$ 11,076</u>	<u>\$ 55,993</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.

To minimize the risk of credit losses, 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. We typically enter into master agreements that 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. A majority of the derivative contracts are supported by collateral arrangements with counterparties. The

System had a net exposure to counterparties of \$15 million at June 30, 2022 and \$7 million at December 31, 2021.

Derivative transactions may also be cleared 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.

**FARM CREDIT SYSTEM**  
**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)**  
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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, 2022 and December 31, 2021, the following amounts were recorded on the Condensed Combined Statement of Condition related to cumulative basis adjustments for fair value hedges:

	<b>Carrying Amount of the Hedged Item</b>	<b>Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Item</b>
	<b>June 30, 2022</b>	<b>June 30, 2022</b>
Systemwide debt securities .....	\$ 24,266	\$ (397)*
	<b>Carrying Amount of the Hedged Item</b>	<b>Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Item</b>
	<b>December 31, 2021</b>	<b>December 31, 2021</b>
Systemwide debt securities .....	\$ 18,926	\$ 79

\* Excluded from this amount is a (\$31) million hedging adjustment 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)**  
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***Fair Values of Derivative Instruments***

The following table represents the fair value of derivative instruments:

	<b>Balance Sheet Classification Assets</b>	<b>Fair Value June 30, 2022</b>	<b>Fair Value December 31, 2021</b>	<b>Balance Sheet Classification Liabilities</b>	<b>Fair Value June 30, 2022</b>	<b>Fair Value December 31, 2021</b>
<b>Derivatives designated as hedging instruments:</b>						
Receive-fixed swaps .....	Other assets	\$ 5	\$ 120	Other liabilities	\$ 400	\$ 40
Pay-fixed and amortizing pay-fixed swaps .....	Other assets	22		Other liabilities	7	46
Interest rate caps and floors .....	Other assets	79	23			
Floating-for-floating and amortizing floating-for-floating swaps .....	Other assets	4		Other liabilities	1	1
Foreign exchange contracts .....	Other assets	2	1	Other liabilities		1
Total derivatives designated as hedging instruments .....		<u>112</u>	<u>144</u>		<u>408</u>	<u>88</u>
<b>Derivatives not designated as hedging instruments:</b>						
Pay-fixed and amortizing pay-fixed swaps .....	Other assets	8		Other liabilities		3
Derivatives entered into on behalf of customers .....	Other assets	554	389	Other liabilities	537	327
Other derivative products .....	Other assets		1			
Total derivatives not designated as hedging instruments .....		<u>562</u>	<u>390</u>		<u>537</u>	<u>330</u>
Variation margin settlement .....			(50)		(125)	(5)
Total derivatives .....		<u>\$ 674</u>	<u>\$ 484</u>		<u>\$ 820</u>	<u>\$ 413</u>

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

	<b>Amount of Gain or (Loss) Recognized in OCI on Derivatives</b>		<b>Location of Gain or (Loss) Reclassification from AOCI into Income</b>	<b>Amount of Gain or (Loss) Reclassified from AOCI into Income</b>	
	<b>June 30,</b>			<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>		<b>2022</b>	<b>2021</b>
<b>Derivatives — Cash Flow Hedging Relationships</b>					
Pay-fixed and amortizing pay-fixed swaps .....	\$ 140	\$ 65	Interest expense	\$ (17)	\$ (19)
Floating-for-floating and amortizing floating-for-floating swaps .....	4		Interest expense	(1)	(1)
Interest rate caps and floors .....	56	(4)	Interest expense/ interest income	(5)	(8)
Foreign exchange contracts .....	1	2	Interest income	1	2
Total .....	<u>\$ 201</u>	<u>\$ 63</u>		<u>\$ (22)</u>	<u>\$ (26)</u>



**FARM CREDIT SYSTEM**  
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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 June 30, 2022		For the Six Months Ended June 30, 2021	
	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 .....	\$ 7,013	\$ 1,834	\$ 6,205	\$ 1,384
Effects of fair value and cash flow hedging:				
Fair value hedges:				
Receive-fixed swaps .....		475		127
Systemwide Debt Securities .....		(476)		(127)
Cash flow hedges:				
Pay-fixed and amortizing pay-fixed swaps .....		17		19
Floating-for-floating and amortizing floating-for-floating swaps .....		1		1
Derivatives entered into on behalf of customers .....		(4)		
Interest rate caps and floors .....	2	7	4	7
Foreign exchange contracts .....	1		2	

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:

<u>Derivatives Not Designated as Hedging Instruments</u>	<u>Location of Gain or (Loss)</u>	<u>For the Six Months Ended</u>	
		<u>June 30, 2022</u>	<u>June 30, 2021</u>
Pay-fixed and amortizing pay-fixed swaps .....	Noninterest income	\$ 10	\$ 4
Derivatives entered into on behalf of customers .....	Noninterest income	(52)	(16)
Total .....		<u>\$ (42)</u>	<u>\$ (12)</u>

**FARM CREDIT SYSTEM**  
**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)**  
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**NOTE 12 — ASSET/LIABILITY OFFSETTING**

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

<u>June 30, 2022</u>	Gross Amounts Recognized	Gross Amounts Offset in the Condensed Combined Statement of Condition	Net Amounts Presented in the Condensed Combined Statement of Condition	<u>Gross Amounts Not Offset in the Condensed Combined Statement of Condition</u>			Net Amount
				Securities Received/ Pledged	Cash Collateral Received/Pledged	Cleared Derivative Initial Margin Pledged	
Assets:							
Interest rate swaps and other derivatives ..	\$ 674	\$ (29)	\$ 645		\$ (379)	\$ 28	\$ 294
Federal Funds sold and securities purchased under resale agreements.....	12,425		12,425	\$(10,450)			1,975
Liabilities:							
Interest rate swaps and other derivatives ..	820	(29)	791		(1)	(188)	602

<u>December 31, 2021</u>	Gross Amounts Recognized	Gross Amounts Offset in the Condensed Combined Statement of Condition	Net Amounts Presented in the Condensed Combined Statement of Condition	<u>Gross Amounts Not Offset in the Condensed Combined Statement of Condition</u>			Net Amount
				Securities Received/ Pledged	Cash Collateral Received/Pledged	Cleared Derivative Initial Margin Pledged	
Assets:							
Interest rate swaps and other derivatives ..	\$ 484	\$ (1)	\$ 483		\$ (1)	\$ 9	\$ 491
Federal Funds sold and securities purchased under resale agreements .....	6,094		6,094	\$ (5,400)			694
Liabilities:							
Interest rate swaps and other derivatives ..	413	(1)	412		(106)	(129)	177

**FARM CREDIT SYSTEM**  
**NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)**  
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**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:

	<b>June 30, 2022</b>
Commitments to extend credit .....	\$ 116,141
Standby letters of credit .....	2,878
Commercial and other letters of credit...	158

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.

In February 2022, a complaint was filed in the United States District Court for the Southern District of New York by purported beneficial owners of AgriBank's 9.125% subordinated notes originally scheduled to mature in 2019 ("Subordinated Notes"). AgriBank redeemed the Subordinated Notes at par plus accrued interest on July 15, 2016 due to the occurrence of a Regulatory Event (as defined under the terms of the Subordinated Notes). The plaintiffs have asserted a breach of contract claim and a breach of implied covenant of good faith and fair dealing claim alleging that AgriBank impermissibly redeemed the Subordinated Notes. On June 20, 2022, AgriBank entered into a settlement agreement with the plaintiffs on all claims and the case was dismissed.

At June 30, 2022, various other 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.

<b>Combining Bank-Only Statement of Condition</b>						
<b>June 30, 2022</b>						
	<b>AgFirst Farm Credit Bank</b>	<b>AgriBank, FCB</b>	<b>Farm Credit Bank of Texas</b>	<b>CoBank, ACB</b>	<b>Combination Entries</b>	<b>Combined Banks</b>
<b>Assets</b>						
Cash .....	\$ 571	\$ 507	\$ 360	\$ 255		\$ 1,693
Federal funds sold and securities purchased under resale agreements .....	300	922	348	10,855		12,425
Investments (Note 2) .....	9,246	19,606	6,555	34,059		69,466
<b>Loans</b>						
To Associations(1) .....	20,499	110,072	19,633	67,287		217,491
To others(2) .....	9,401	14,958	8,036	67,968	\$ (348)	100,015
Less: allowance for loan losses .....	(21)	(34)	(11)	(730)		(796)
Net loans .....	<u>29,879</u>	<u>124,996</u>	<u>27,658</u>	<u>134,525</u>	<u>(348)</u>	<u>316,710</u>
Accrued interest receivable .....	98	604	83	469		1,254
Other assets .....	298	258	446	1,616	(3)	2,615
Total assets .....	<u>\$ 40,392</u>	<u>\$ 146,893</u>	<u>\$ 35,450</u>	<u>\$ 181,779</u>	<u>\$ (351)</u>	<u>\$ 404,163</u>
<b>Liabilities and Capital</b>						
<b>Systemwide Debt Securities (Note 6):</b>						
Due within one year .....	\$ 12,961	\$ 38,165	\$ 11,624	\$ 72,412		\$ 135,162
Due after one year .....	25,432	98,298	21,759	94,161		239,650
Total Systemwide Debt Securities .....	38,393	136,463	33,383	166,573		374,812
Accrued interest payable .....	76	362	88	404		930
Other liabilities .....	91	3,288	167	3,987	\$ (50)	7,483
Total liabilities .....	<u>38,560</u>	<u>140,113</u>	<u>33,638</u>	<u>170,964</u>	<u>(50)</u>	<u>383,225</u>
<b>Capital</b>						
Preferred stock .....		250	750	1,643		2,643
Capital stock and participation certificates .....	299	4,038	476	3,931	(312)	8,432
Additional paid-in-capital .....	64					64
Accumulated other comprehensive loss .....	(633)	(746)	(385)	(1,161)	(14)	(2,939)
Retained earnings .....	2,102	3,238	971	6,402	25	12,738
Total capital .....	<u>1,832</u>	<u>6,780</u>	<u>1,812</u>	<u>10,815</u>	<u>(301)</u>	<u>20,938</u>
Total liabilities and capital .....	<u>\$ 40,392</u>	<u>\$ 146,893</u>	<u>\$ 35,450</u>	<u>\$ 181,779</u>	<u>\$ (351)</u>	<u>\$ 404,163</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, 2021**

	<b>AgFirst Farm Credit Bank</b>	<b>AgriBank, FCB</b>	<b>Farm Credit Bank of Texas</b>	<b>CoBank, ACB</b>	<b>Combination Entries</b>	<b>Combined Banks</b>
<b>Assets</b>						
Cash .....	\$ 625	\$ 1,305	\$ 158	\$ 3,197		\$ 5,285
Federal funds sold and securities purchased under resale agreements .....	400		194	5,500		6,094
Investments (Note 2) .....	9,337	18,393	6,560	31,841		66,131
<b>Loans</b>						
To Associations(1) .....	19,740	108,166	18,277	65,554		211,737
To others(2) .....	8,796	13,828	7,397	62,975	\$ (367)	92,629
Less: allowance for loan losses .....	(20)	(37)	(12)	(651)		(720)
Net loans .....	<u>28,516</u>	<u>121,957</u>	<u>25,662</u>	<u>127,878</u>	<u>(367)</u>	<u>303,646</u>
Accrued interest receivable .....	85	518	68	379		1,050
Other assets .....	312	244	451	1,511	(36)	2,482
Total assets .....	<u>\$ 39,275</u>	<u>\$ 142,417</u>	<u>\$ 33,093</u>	<u>\$ 170,306</u>	<u>\$ (403)</u>	<u>\$ 384,688</u>
<b>Liabilities and Capital</b>						
Systemwide Debt Securities (Note 6):						
Due within one year .....	\$ 13,257	\$ 37,452	\$ 11,591	\$ 68,401		\$ 130,701
Due after one year .....	23,100	95,214	19,199	84,609		222,122
Total Systemwide Debt Securities .....	36,357	132,666	30,790	153,010		352,823
Accrued interest payable .....	41	260	63	286		650
Other liabilities .....	574	2,485	242	4,776	\$ (106)	7,971
Total liabilities .....	<u>36,972</u>	<u>135,411</u>	<u>31,095</u>	<u>158,072</u>	<u>(106)</u>	<u>361,444</u>
<b>Capital</b>						
Preferred stock .....	32	250	750	1,903		2,935
Capital stock and participation certificates ..	299	3,826	477	4,013	(313)	8,302
Additional paid-in-capital .....	64					64
Accumulated other comprehensive (loss) income .....	19	(211)	(97)	155	(13)	(147)
Retained earnings .....	1,889	3,141	868	6,163	29	12,090
Total capital .....	<u>2,303</u>	<u>7,006</u>	<u>1,998</u>	<u>12,234</u>	<u>(297)</u>	<u>23,244</u>
Total liabilities and capital .....	<u>\$ 39,275</u>	<u>\$ 142,417</u>	<u>\$ 33,093</u>	<u>\$ 170,306</u>	<u>\$ (403)</u>	<u>\$ 384,688</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 loan 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 (Loss) Income**

**For the Six Months Ended June 30,**

	<b>AgFirst Farm Credit Bank</b>	<b>AgriBank, FCB</b>	<b>Farm Credit Bank of Texas</b>	<b>CoBank, ACB</b>	<b>Combination Entries</b>	<b>Combined Banks</b>
<b><u>2022</u></b>						
Interest income .....	\$ 466	\$ 1,130	\$ 381	\$ 1,757	\$ (1)	\$ 3,733
Interest expense .....	(157)	(731)	(190)	(765)	20	(1,823)
Net interest income .....	309	399	191	992	19	1,910
(Provision for loan losses) loan loss reversal .....	(2)	5		(105)		(102)
Noninterest income .....	18	50	14	172	(75)	179
Noninterest expense .....	(109)	(88)	(74)	(268)	(14)	(553)
Provision for income taxes .....				(61)		(61)
Net income .....	216	366	131	730	(70)	1,373
Other comprehensive loss .....	(652)	(535)	(288)	(1,316)	(1)	(2,792)
Comprehensive loss .....	<u>\$ (436)</u>	<u>\$ (169)</u>	<u>\$ (157)</u>	<u>\$ (586)</u>	<u>\$ (71)</u>	<u>\$ (1,419)</u>
<b><u>2021</u></b>						
Interest income .....	\$ 404	\$ 963	\$ 318	\$ 1,475	\$ 38	\$ 3,198
Interest expense .....	(83)	(597)	(136)	(585)	22	(1,379)
Net interest income .....	321	366	182	890	60	1,819
(Provision for loan losses) loan loss reversal .....	(2)	2	(3)	(55)		(58)
Noninterest income .....	13	75	19	146	(91)	162
Noninterest expense .....	(92)	(78)	(70)	(234)	(20)	(494)
Provision for income taxes .....				(65)		(65)
Net income .....	240	365	128	682	(51)	1,364
Other comprehensive loss .....	(45)	(5)		(294)		(344)
Comprehensive income .....	<u>\$ 195</u>	<u>\$ 360</u>	<u>\$ 128</u>	<u>\$ 388</u>	<u>\$ (51)</u>	<u>\$ 1,020</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, 2020 .....	\$ 2,478	\$ 6,580	\$ 1,992	\$ 11,910	\$ (286)	\$ 22,674
Comprehensive income .....	195	360	128	388	(51)	1,020
Preferred stock retired .....	(10)					(10)
Preferred stock dividends .....		(9)	(23)	(41)		(73)
Capital stock and participation certificates issued .....		238			(1)	237
Capital stock, participation certificates, and retained earnings retired .....		(30)	(1)	(33)	6	(58)
Additional paid-in-capital .....	3					3
Patronage .....	(1)	(267)	(4)	(323)	50	(545)
Balance at June 30, 2021 .....	<u>\$ 2,665</u>	<u>\$ 6,872</u>	<u>\$ 2,092</u>	<u>\$ 11,901</u>	<u>\$ (282)</u>	<u>\$ 23,248</u>
Balance at December 31, 2021 .....	\$ 2,303	\$ 7,006	\$ 1,998	\$ 12,234	\$ (297)	\$ 23,244
Comprehensive loss .....	(436)	(169)	(157)	(586)	(71)	(1,419)
Preferred stock retired .....	(32)			(260)		(292)
Preferred stock dividends .....		(9)	(23)	(44)		(76)
Capital stock and participation certificates issued .....		234				234
Capital stock, participation certificates, and retained earnings retired .....		(22)	(1)	(157)	8	(172)
Patronage .....	(3)	(260)	(5)	(372)	59	(581)
Balance at June 30, 2022 .....	<u>\$ 1,832</u>	<u>\$ 6,780</u>	<u>\$ 1,812</u>	<u>\$ 10,815</u>	<u>\$ (301)</u>	<u>\$ 20,938</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:

	<b>AgFirst Farm Credit Bank</b>	<b>AgriBank, FCB</b>	<b>Farm Credit Bank of Texas</b>	<b>CoBank, ACB</b>
<b>For the six months ended:</b>				
<b><u>June 30, 2022</u></b>				
Return on average assets .....	1.10%	0.51%	0.76%	0.81%
Return on average capital .....	20.54%	10.57%	13.64%	12.90%
<b><u>June 30, 2021</u></b>				
Return on average assets .....	1.32%	0.55%	0.89%	0.85%
Return on average capital .....	18.83%	10.83%	12.47%	11.49%
<b>For the period ended:</b>				
<b><u>June 30, 2022</u></b>				
Nonperforming assets as a percentage of loans and other property owned .....	0.26%	0.05%	0.03%	0.13%
Allowance for loan losses as a percentage of loans .....	0.07%	0.03%	0.04%	0.54%
Capital as a percentage of total assets .....	4.54%	4.62%	5.11%	5.95%
Tier 1 Leverage ratio .....	5.97%	5.10%	5.83%	6.57%
Total Capital ratio .....	15.8%	17.4%	13.8%	13.6%
Permanent capital ratio .....	15.6%	17.4%	13.7%	12.9%
Liquidity in days .....	241	152	195	180
Average liquidity in days during 2022 .....	243	153	190	175
<b><u>December 31, 2021</u></b>				
Nonperforming assets as a percentage of loans and other property owned .....	0.23%	0.05%	0.03%	0.10%
Allowance for loan losses as a percentage of loans .....	0.07%	0.03%	0.05%	0.51%
Capital as a percentage of total assets .....	5.86%	4.92%	6.04%	7.18%
Tier 1 Leverage ratio .....	6.87%	5.15%	6.37%	7.47%
Total Capital ratio .....	18.9%	17.5%	15.2%	15.6%
Permanent capital ratio .....	18.7%	17.4%	15.1%	14.8%
Liquidity in days .....	235	158	185	180
Average liquidity in days during 2021 .....	222	160	178	181

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



## FARM CREDIT SYSTEM

### NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (continued)

(unaudited)

(dollars in millions, except as noted)

Associations may not be available if the provisions of 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

Effective July 1, 2022, two Associations in the AgFirst District merged. The merger is accounted for as described in Note 7.

The Banks and Associations have evaluated subsequent events through August 9, 2022, 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.

**COMBINING STATEMENT OF CONDITION — (Condensed)**  
**June 30, 2022**  
**(in millions)**

	Combined Banks	Combined Associations	Eliminations	Combined without Insurance Fund	Insurance Fund	System Combined
Cash and investments .....	\$ 83,584	\$ 3,565	\$ (10)	\$ 87,139		\$ 87,139
Loans .....	317,506	257,357	(217,557)	357,306		357,306
Less: allowance for loan losses .....	(796)	(818)		(1,614)		(1,614)
Net loans .....	316,710	256,539	(217,557)	355,692		355,692
Other assets .....	3,869	12,356	(9,089)	7,136		7,136
Restricted assets .....					\$ 6,304	6,304
Total assets .....	<u>\$404,163</u>	<u>\$ 272,460</u>	<u>\$ (226,656)</u>	<u>\$449,967</u>	<u>\$ 6,304</u>	<u>\$456,271</u>
Systemwide Debt Securities and subordinated debt .....	\$374,812	\$ 398		\$375,210		\$375,210
Other liabilities .....	8,413	222,133	\$ (218,413)	12,133		12,133
Total liabilities .....	<u>383,225</u>	<u>222,531</u>	<u>(218,413)</u>	<u>387,343</u>		<u>387,343</u>
Capital						
Preferred stock .....	2,643	803		3,446		3,446
Capital stock and participation certificates .....	8,432	517	(6,851)	2,098		2,098
Additional paid-in-capital .....	64	4,202		4,266		4,266
Restricted capital .....					\$ 6,304	6,304
Accumulated other comprehensive loss	(2,939)	(239)	(817)	(3,995)		(3,995)
Retained earnings .....	12,738	44,646	(575)	56,809		56,809
Total capital .....	<u>20,938</u>	<u>49,929</u>	<u>(8,243)</u>	<u>62,624</u>	<u>6,304</u>	<u>68,928</u>
Total liabilities and capital .....	<u>\$404,163</u>	<u>\$ 272,460</u>	<u>\$ (226,656)</u>	<u>\$449,967</u>	<u>\$ 6,304</u>	<u>\$456,271</u>

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

**COMBINING STATEMENT OF CONDITION — (Condensed)**  
**December 31, 2021**  
**(in millions)**

	Combined Banks	Combined Associations	Eliminations	Combined without Insurance Fund	Insurance Fund	System Combined
Cash and investments .....	\$ 77,510	\$ 3,356	\$ (50)	\$ 80,816		\$ 80,816
Loans .....	304,366	251,351	(211,788)	343,929		343,929
Less: allowance for loan losses .....	(720)	(912)		(1,632)		(1,632)
Net loans .....	303,646	250,439	(211,788)	342,297		342,297
Other assets .....	3,532	12,725	(9,373)	6,884		6,884
Restricted assets .....					\$ 5,960	5,960
Total assets .....	<u>\$384,688</u>	<u>\$ 266,520</u>	<u>\$ (221,211)</u>	<u>\$429,997</u>	<u>\$ 5,960</u>	<u>\$435,957</u>
Systemwide Debt Securities and subordinated debt .....	\$352,823	\$ 398		\$353,221		\$353,221
Other liabilities .....	8,621	217,911	\$ (213,273)	13,259		13,259
Total liabilities .....	<u>361,444</u>	<u>218,309</u>	<u>(213,273)</u>	<u>366,480</u>		<u>366,480</u>
Capital						
Preferred stock .....	2,935	1,058		3,993		3,993
Capital stock and participation certificates .....	8,302	512	(6,745)	2,069		2,069
Additional paid-in-capital .....	64	3,718		3,782		3,782
Restricted capital .....					\$ 5,960	5,960
Accumulated other comprehensive loss	(147)	(168)	(895)	(1,210)		(1,210)
Retained earnings .....	12,090	43,091	(298)	54,883		54,883
Total capital .....	<u>23,244</u>	<u>48,211</u>	<u>(7,938)</u>	<u>63,517</u>	<u>5,960</u>	<u>69,477</u>
Total liabilities and capital .....	<u>\$384,688</u>	<u>\$ 266,520</u>	<u>\$ (221,211)</u>	<u>\$429,997</u>	<u>\$ 5,960</u>	<u>\$435,957</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 (LOSS) — (Condensed)**  
**For the Six Months Ended June 30, 2022**  
**(in millions)**

	<u>Combined Banks</u>	<u>Combined Associations</u>	<u>Eliminations</u>	<u>Combined without Insurance Fund</u>	<u>Insurance Fund</u>	<u>Combination Entries</u>	<u>System Combined</u>
Net interest income .....	\$ 1,910	\$ 3,260	\$ 9	\$ 5,179			\$ 5,179
(Provision for loan losses) loan loss reversal .....	(102)	101		(1)			(1)
Noninterest income .....	179	1,130	(974)	335	\$ 346	\$ (318) (a)	363
Noninterest expense .....	(553)	(1,813)	169	(2,197)	(2)	318 (a)	(1,881)
Provision for income taxes .....	(61)	(32)		(93)			(93)
Net income .....	1,373	2,646	(796)	3,223	344	0	3,567
Other comprehensive loss .....	(2,792)	(71)	78	(2,785)			(2,785)
Comprehensive income (loss) .....	<u>\$ (1,419)</u>	<u>\$ 2,575</u>	<u>\$ (718)</u>	<u>\$ 438</u>	<u>\$ 344</u>	<u>\$ 0</u>	<u>\$ 782</u>

**For the Six Months Ended June 30, 2021**  
**(in millions)**

	<u>Combined Banks</u>	<u>Combined Associations</u>	<u>Eliminations</u>	<u>Combined without Insurance Fund</u>	<u>Insurance Fund</u>	<u>Combination Entries</u>	<u>System Combined</u>
Net interest income .....	\$ 1,819	\$ 3,015	\$ (13)	\$ 4,821			\$ 4,821
Loan loss reversal (provision for loan losses) .....	(58)	88		30			30
Noninterest income .....	162	1,128	(923)	367	\$ 255	\$ (230) (a)	392
Noninterest expense .....	(494)	(1,621)	179	(1,936)	(2)	230 (a)	(1,708)
Provision for income taxes .....	(65)	(29)		(94)			(94)
Net income .....	1,364	2,581	(757)	3,188	253	0	3,441
Other comprehensive loss .....	(344)	(3)	70	(277)			(277)
Comprehensive income .....	<u>\$ 1,020</u>	<u>\$ 2,578</u>	<u>\$ (687)</u>	<u>\$ 2,911</u>	<u>\$ 253</u>	<u>\$ 0</u>	<u>\$ 3,164</u>

Combination entry (a) eliminates the Insurance Fund premiums expensed by the Banks in the first six months of 2022 and 2021 of \$318 million and \$230

million and the related income recognized by the Insurance Corporation.

**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.

**STATEMENT OF CONDITION — (Condensed)**  
**June 30, 2022**  
**(in millions)**

	AgFirst District Combined	AgriBank District Combined	Texas District Combined	CoBank District Combined	Insurance Fund and Combination Entries	System Combined
Cash and investments .....	\$ 10,145	\$ 23,226	\$ 7,396	\$ 46,372		\$ 87,139
Loans .....	36,413	143,552	35,097	147,975	\$ (5,731)	357,306
Less: allowance for loan losses .....	(204)	(317)	(85)	(1,008)		(1,614)
Net loans .....	36,209	143,235	35,012	146,967	(5,731)	355,692
Other assets .....	719	2,563	866	3,196	(208)	7,136
Restricted assets .....					6,304	6,304
Total assets .....	<u>\$ 47,073</u>	<u>\$ 169,024</u>	<u>\$ 43,274</u>	<u>\$ 196,535</u>	<u>\$ 365</u>	<u>\$ 456,271</u>
Systemwide Debt Securities and subordinated debt .....	\$ 38,393	\$ 136,663	\$ 33,383	\$ 166,771		\$ 375,210
Other liabilities .....	1,741	4,641	4,400	6,610	\$ (5,259)	12,133
Total liabilities .....	<u>40,134</u>	<u>141,304</u>	<u>37,783</u>	<u>173,381</u>	<u>(5,259)</u>	<u>387,343</u>
Capital						
Preferred stock .....		450	1,050	1,946		3,446
Capital stock and participation certificates .....	199	367	140	1,873	(481)	2,098
Additional paid-in-capital .....	88	2,443	222	1,513		4,266
Restricted capital .....					6,304	6,304
Accumulated other comprehensive loss .....	(886)	(1,155)	(444)	(1,460)	(50)	(3,995)
Retained earnings .....	7,538	25,615	4,523	19,282	(149)	56,809
Total capital .....	<u>6,939</u>	<u>27,720</u>	<u>5,491</u>	<u>23,154</u>	<u>5,624</u>	<u>68,928</u>
Total liabilities and capital .....	<u>\$ 47,073</u>	<u>\$ 169,024</u>	<u>\$ 43,274</u>	<u>\$ 196,535</u>	<u>\$ 365</u>	<u>\$ 456,271</u>

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

**STATEMENT OF CONDITION — (Condensed)**  
**December 31, 2021**  
**(in millions)**

	<b>AgFirst District Combined</b>	<b>AgriBank District Combined</b>	<b>Texas District Combined</b>	<b>CoBank District Combined</b>	<b>Insurance Fund and Combination Entries</b>	<b>System Combined</b>
Cash and investments .....	\$ 10,398	\$ 21,790	\$ 7,037	\$ 41,591		\$ 80,816
Loans .....	34,861	140,459	33,175	140,847	\$ (5,413)	343,929
Less: allowance for loan losses .....	(212)	(373)	(85)	(962)		(1,632)
Net loans .....	34,649	140,086	33,090	139,885	(5,413)	342,297
Other assets .....	697	2,566	837	3,031	(247)	6,884
Restricted assets .....					5,960	5,960
Total assets .....	<u>\$ 45,744</u>	<u>\$ 164,442</u>	<u>\$ 40,964</u>	<u>\$ 184,507</u>	<u>\$ 300</u>	<u>\$ 435,957</u>
Systemwide Debt Securities and subordinated debt .....	\$ 36,357	\$ 132,866	\$ 30,790	\$ 153,208		\$ 353,221
Other liabilities .....	2,057	4,249	4,693	7,257	\$ (4,997)	13,259
Total liabilities .....	<u>38,414</u>	<u>137,115</u>	<u>35,483</u>	<u>160,465</u>	<u>(4,997)</u>	<u>366,480</u>
Capital						
Preferred stock .....	32	450	1,050	2,461		3,993
Capital stock and participation certificates .....	189	363	139	1,846	(468)	2,069
Additional paid-in-capital .....	88	2,085	222	1,387		3,782
Restricted capital .....					5,960	5,960
Accumulated other comprehensive loss .....	(245)	(642)	(159)	(112)	(52)	(1,210)
Retained earnings .....	7,266	25,071	4,229	18,460	(143)	54,883
Total capital .....	<u>7,330</u>	<u>27,327</u>	<u>5,481</u>	<u>24,042</u>	<u>5,297</u>	<u>69,477</u>
Total liabilities and capital .....	<u>\$ 45,744</u>	<u>\$ 164,442</u>	<u>\$ 40,964</u>	<u>\$ 184,507</u>	<u>\$ 300</u>	<u>\$ 435,957</u>

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

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

	<b>AgFirst District Combined</b>	<b>AgriBank District Combined</b>	<b>Texas District Combined</b>	<b>CoBank District Combined</b>	<b>Insurance Fund and Combination Entries</b>	<b>System Combined</b>
<b><u>2022</u></b>						
Net interest income .....	\$ 662	\$ 1,912	\$ 548	\$ 2,033	\$ 24	\$ 5,179
(Provision for loan losses) loan loss reversal .....	8	62		(71)		(1)
Noninterest income .....	38	152	41	227	(95)	363
Noninterest expense .....	(340)	(841)	(252)	(749)	301	(1,881)
Provision for income taxes .....	(1)	(30)		(62)		(93)
Net income .....	<u>367</u>	<u>1,255</u>	<u>337</u>	<u>1,378</u>	<u>230</u>	<u>3,567</u>
Other comprehensive loss .....	(641)	(513)	(285)	(1,348)	2	(2,785)
Comprehensive income (loss) .....	<u>\$ (274)</u>	<u>\$ 742</u>	<u>\$ 52</u>	<u>\$ 30</u>	<u>\$ 232</u>	<u>\$ 782</u>
<b><u>2021</u></b>						
Net interest income .....	\$ 663	\$ 1,757	\$ 496	\$ 1,852	\$ 53	\$ 4,821
Loan loss reversal (provision for loan losses) .....	1	47	8	(26)		30
Noninterest income .....	50	173	46	216	(93)	392
Noninterest expense .....	(298)	(730)	(227)	(660)	207	(1,708)
Provision for income taxes .....	(1)	(26)		(67)		(94)
Net income .....	<u>415</u>	<u>1,221</u>	<u>323</u>	<u>1,315</u>	<u>167</u>	<u>3,441</u>
Other comprehensive (loss) income .....	(29)	20	8	(279)	3	(277)
Comprehensive income .....	<u>\$ 386</u>	<u>\$ 1,241</u>	<u>\$ 331</u>	<u>\$ 1,036</u>	<u>\$ 170</u>	<u>\$ 3,164</u>

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

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

	<u>AgFirst District Combined</u>	<u>AgriBank District Combined</u>	<u>Texas District Combined</u>	<u>CoBank District Combined</u>	<u>Insurance Fund and Combination Entries</u>	<u>System Combined</u>
Balance at December 31, 2020 .....	\$ 7,108	\$ 25,802	\$ 4,987	\$ 22,810	\$ 4,828	\$ 65,535
Comprehensive income .....	386	1,241	331	1,036	170	3,164
Preferred stock issued, net .....	(10)	98	195	69		352
Capital stock and participation certificates issued .....	31	29	8	5	(7)	66
Capital stock, participation certificates, and retained earnings retired .....	(17)	(19)	(6)	(37)	6	(73)
Additional paid-in-capital .....	3			(9)		(6)
Equity issued or recharacterized upon Association merger .....				49		49
Equity retired or recharacterized upon Association merger .....				(53)		(53)
Patronage and dividends .....	(53)	(350)	(40)	(318)	80	(681)
Balance at June 30, 2021 .....	<u>\$ 7,448</u>	<u>\$ 26,801</u>	<u>\$ 5,475</u>	<u>\$ 23,552</u>	<u>\$ 5,077</u>	<u>\$ 68,353</u>
Balance at December 31, 2021 .....	\$ 7,330	\$ 27,327	\$ 5,481	\$ 24,042	\$ 5,297	\$ 69,477
Comprehensive income (loss) .....	(274)	742	52	30	232	782
Preferred stock retired, net .....	(32)			(515)		(547)
Capital stock and participation certificates issued .....	32	31	7	4	(11)	63
Capital stock, participation certificates, and retained earnings retired .....	(22)	(27)	(6)	(46)	6	(95)
Equity issued or recharacterized upon Association mergers .....		361		126		487
Equity retired or recharacterized upon Association mergers .....		(365)		(125)		(490)
Patronage and dividends .....	(95)	(349)	(43)	(362)	100	(749)
Balance at June 30, 2022 .....	<u>\$ 6,939</u>	<u>\$ 27,720</u>	<u>\$ 5,491</u>	<u>\$ 23,154</u>	<u>\$ 5,624</u>	<u>\$ 68,928</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.

	<b>AgFirst District Combined</b>	<b>AgriBank District Combined</b>	<b>Texas District Combined</b>	<b>CoBank District Combined</b>
<b>For the six months ended:</b>				
<b><u>June 30, 2022</u></b>				
Return on average assets .....	1.59%	1.51%	1.59%	1.42%
Return on average capital .....	10.10%	9.11%	12.24%	11.75%
Net interest margin .....	2.93%	2.34%	2.65%	2.14%
Net loan charge-offs (recoveries) as a % of average loans .....	0.00%	(0.01%)	0.00%	0.03%
Operating expense as a % of net interest income and noninterest income .....	48.26%	40.43%	42.64%	33.18%
<b><u>June 30, 2021</u></b>				
Return on average assets .....	1.94%	1.60%	1.76%	1.51%
Return on average capital .....	11.35%	9.27%	12.06%	11.43%
Net interest margin .....	3.17%	2.34%	2.79%	2.17%
Net loan charge-offs (recoveries) as a % of average loans .....	0.00%	0.00%	0.00%	(0.01%)
Operating expense as a % of net interest income and noninterest income .....	41.80%	37.79%	41.89%	31.96%
<b>At the period ended:</b>				
<b><u>June 30, 2022</u></b>				
Nonperforming assets as a % of loans and other property owned .....	0.93%	0.51%	0.46%	0.36%
Allowance for loan losses as a % of loans .....	0.56%	0.22%	0.24%	0.68%
Capital as a % of total assets .....	14.74%	16.40%	12.69%	11.78%
Capital and allowance for loan losses as a % of loans .....	19.62%	19.53%	15.89%	16.33%
Debt to capital .....	5.78:1	5.10:1	6.88:1	7.49:1
<b><u>December 31, 2021</u></b>				
Nonperforming assets as a % of loans and other property owned .....	0.99%	0.48%	0.37%	0.31%
Allowance for loan losses as a % of loans .....	0.61%	0.27%	0.26%	0.68%
Capital as a % of total assets .....	16.02%	16.62%	13.38%	13.03%
Capital and allowance for loan losses as a % of loans .....	21.63%	19.72%	16.78%	17.75%
Debt to capital .....	5.24:1	5.02:1	6.47:1	6.67:1

**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. However, in the current, relatively low interest rate environment, the downward shock is based on one-half of the three-month Treasury bill rate, which was 85 basis points at June 30, 2022 and 3 basis points at December 31, 2021.

District	Change in Market Value of Equity			Change in Net Interest Income		
	June 30, 2022			June 30, 2022		
	-85	+100	+200	-85	+100	+200
AgFirst .....	4.06%	-4.01%	-7.31%	-1.42%	1.82%	3.55%
AgriBank .....	3.30	-3.59	-6.82	-0.87	3.80	5.66
Texas .....	5.75	-5.78	-10.82	-0.52	0.95	1.81
CoBank .....	2.73	-3.15	-6.26	0.11	0.25	0.68

District	Change in Market Value of Equity			Change in Net Interest Income		
	December 31, 2021			December 31, 2021		
	-3	+100	+200	-3	+100	+200
AgFirst .....	0.12%	-4.25%	-8.52%	-0.11%	2.29%	3.66%
AgriBank .....	0.10	-3.52	-6.82	-0.07	3.28	4.36
Texas .....	0.17	-5.82	-11.78	-0.06	1.76	3.18
CoBank .....	0.09	-3.60	-6.75	-0.07	0.73	1.73

**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-52 to F-55, selected financial information regarding Associations with asset size greater than \$1.5 billion is provided below for the purpose of additional analysis.

	At June 30, 2022				For the Six Months Ended June 30, 2022			
	Total Assets	Gross Loans	Allowance for Loan Losses 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)								
<b>AgFirst District</b>								
MidAtlantic Farm Credit, ACA .....	\$ 3,170	\$ 3,120	0.75%	1.93%	20.55%	1.89%	8.37%	2.56%
First South Farm Credit, ACA .....	3,040	2,945	0.71	0.11	17.49	1.57	8.24	2.43
AgChoice Farm Credit, ACA .....	2,778	2,736	0.59	0.18	16.03	1.18	6.63	2.38
Ag Credit, ACA .....	2,735	2,661	0.25	0.16	20.23	1.82	10.83	2.13
Farm Credit of the Virginias, ACA .....	2,112	2,079	0.88	1.91	21.74	1.42	6.22	2.55
AgSouth Farm Credit, ACA .....	2,109	2,053	0.81	0.78	22.04	2.36	10.87	3.38
Carolina Farm Credit, ACA .....	1,894	1,833	0.27	0.51	19.88	2.10	10.61	3.17
<b>AgriBank District</b>								
Farm Credit Services of America, ACA ...	37,570	35,916	0.17	0.47	15.33	1.80	9.95	2.32
Farm Credit Mid-America, ACA .....	30,025	27,540	0.23	1.09	16.98	1.50	8.22	2.10
Compeer Financial , ACA .....	27,343	24,757	0.22	0.51	15.00	1.84	11.22	2.29
GreenStone Farm Credit Services, ACA ...	12,205	11,737	0.34	0.17	15.74	2.50	14.07	2.48
AgCountry, ACA .....	11,555	11,036	0.20	0.15	16.99	1.53	7.20	2.44
FCS Financial, ACA .....	5,880	5,611	0.30	0.28	15.59	1.80	9.88	2.41
Farm Credit Illinois, ACA .....	5,123	4,810	0.15	0.02	18.39	1.62	7.23	2.36
AgHeritage Farm Credit Services, ACA ...	2,174	2,099	0.47	0.09	16.53	2.04	10.51	2.64
Farm Credit Services of Western Arkansas, ACA .....	1,796	1,722	0.14	0.47	18.21	1.65	8.39	2.88
<b>Texas District</b>								
Capital Farm Credit, ACA .....	11,431	11,113	0.20	0.61	13.55	2.53	16.53	2.92
AgTexas Farm Credit Services .....	2,890	2,657	0.30	1.20	13.61	1.93	13.68	2.32
Lone Star, ACA .....	2,516	2,461	0.25	0.11	15.21	2.21	13.43	2.83
Texas Farm Credit Services .....	2,284	2,209	0.14	0.39	11.25	2.19	19.31	2.64
<b>CoBank District</b>								
American AgCredit, ACA .....	17,424	16,501	0.22	0.70	13.30	2.23	13.83	2.95
Northwest Farm Credit Services, ACA ....	15,199	14,026	0.44	0.34	17.54	2.26	11.25	2.82
Farm Credit West, ACA .....	13,779	12,603	0.58	0.58	14.16	2.64	14.91	2.80
Farm Credit East, ACA .....	10,487	10,105	0.50	0.45	16.66	2.90	15.69	2.70
Yosemite Farm Credit, ACA .....	4,048	3,877	0.30	0.22	13.94	1.97	11.96	2.66
Frontier Farm Credit, ACA .....	2,591	2,450	0.15	0.28	16.94	1.75	8.41	2.51
Golden State Farm Credit, ACA .....	2,193	2,087	0.21	0.10	14.72	2.16	11.98	2.70
Farm Credit of New Mexico, ACA .....	2,002	1,900	0.51	0.72	20.94	2.02	8.84	2.89
Oklahoma AgCredit, ACA .....	1,904	1,805	0.23	0.40	14.96	1.60	9.12	2.66
High Plains Farm Credit, ACA .....	1,565	1,476	0.15	0.11	15.03	2.09	11.46	2.58

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

**SELECTED ASSOCIATION KEY FINANCIAL INFORMATION**

	At December 31, 2021				For the Six Months Ended June 30, 2021			
	Total Assets	Gross Loans	Allowance for Loan Losses 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)								
<b>AgFirst District</b>								
MidAtlantic Farm Credit, ACA .....	\$ 3,120	\$ 3,041	1.00%	2.19%	20.70%	1.75%	7.55%	2.64%
First South Farm Credit, ACA .....	2,901	2,773	0.71	0.15	17.17	1.59	8.28	2.57
AgCredit, ACA .....	2,680	2,578	0.28	0.20	20.58	2.37	13.35	2.63
AgChoice Farm Credit, ACA .....	2,664	2,588	0.56	0.24	16.86	1.99	10.61	2.49
AgSouth Farm Credit, ACA .....	2,119	2,032	0.87	0.94	21.93	2.49	11.34	3.47
Farm Credit of the Virginias, ACA .....	2,085	2,029	0.87	2.06	22.50	1.53	6.45	2.63
Carolina Farm Credit, ACA .....	1,868	1,786	0.34	0.59	19.65	2.26	11.20	3.25
<b>AgriBank District</b>								
Farm Credit Services of America, ACA ...	37,380	35,719	0.21	0.41	16.06	2.14	11.51	2.39
Farm Credit Mid-America, ACA .....	29,541	27,258	0.26	0.83	18.21	1.58	8.11	2.12
Compeer Financial, ACA .....	27,008	24,490	0.26	0.57	15.78	2.06	12.61	2.27
GreenStone Farm Credit Services, ACA ...	11,927	11,492	0.48	0.46	16.44	2.35	13.10	2.37
AgCountry, ACA .....	9,533	9,104	0.25	0.17	17.90	1.85	8.60	2.43
FCS Financial, ACA .....	5,719	5,468	0.31	0.23	16.69	2.02	10.43	2.44
Farm Credit Illinois, ACA .....	5,136	4,823	0.16	0.08	19.48	1.98	8.48	2.32
AgHeritage Farm Credit Services, ACA ...	2,005	1,927	0.51	0.19	16.67	2.09	10.66	2.61
Farm Credit Services of Western Arkansas, ACA .....	1,733	1,659	0.14	0.57	18.90	1.87	9.61	2.83
<b>Texas District</b>								
Capital Farm Credit, ACA .....	10,749	10,453	0.22	0.47	14.49	2.86	16.57	3.04
AgTexas Farm Credit Services .....	2,927	2,709	0.26	0.56	14.36	1.97	15.22	2.39
Lone Star, ACA .....	2,334	2,288	0.32	0.15	16.45	2.08	11.59	2.74
Texas Farm Credit Services .....	2,081	2,019	0.15	0.45	12.79	2.74	20.65	2.78
<b>CoBank District</b>								
American AgCredit ACA .....	16,968	15,935	0.24	0.51	13.71	2.34	14.81	3.03
Northwest Farm Credit Services, ACA ...	14,827	13,611	0.44	0.42	17.91	2.76	13.23	3.02
Farm Credit West, ACA .....	13,506	12,434	0.56	0.62	14.35	2.71	13.75	2.79
Farm Credit East, ACA .....	9,422	9,074	0.89	0.22	17.13	2.33	12.01	2.74
Yosemite Farm Credit, ACA .....	3,987	3,798	0.28	0.13	13.81	1.73	10.24	2.75
Frontier Farm Credit, ACA .....	2,557	2,408	0.17	0.21	17.51	2.04	9.55	2.59
Farm Credit of New Mexico, ACA .....	2,125	2,020	0.65	0.33	20.12	1.79	7.93	2.97
Golden State Farm Credit, ACA .....	2,118	2,004	0.23	0.10	14.26	2.29	11.98	2.94
Oklahoma AgCredit, ACA .....	1,878	1,772	0.20	0.51	15.06	1.50	8.34	2.61
High Plains Farm Credit, ACA .....	1,565	1,463	0.17	0.12	15.25	2.19	11.80	2.58

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## CONTROLS AND PROCEDURES

As of June 30, 2022, 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<sup>(1)</sup> 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<sup>(2)</sup> that occurred during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, the System's internal control over financial reporting.

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<sup>(1)</sup> 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.

<sup>(2)</sup> 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 2022 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<sup>(1)</sup> and internal control over financial reporting<sup>(2)</sup> 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 9, 2022

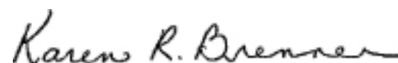
(1) See footnote 1 on page S-2.

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

## CERTIFICATION

I, Karen R. Brenner, certify that:

1. I have reviewed the *Second Quarter 2022 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<sup>(1)</sup> and internal control over financial reporting<sup>(2)</sup> 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 9, 2022

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

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



## FARM CREDIT SYSTEM ENTITIES (As of July 1, 2022)

### 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  
4000 Poole Road  
Raleigh, NC 27610

AgCredit Agricultural Credit Association  
610 W. Lytle Street  
Fostoria, OH 44830-3422

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

AgSouth Farm Credit, ACA  
26 South Main Street  
Statesboro, GA 30458

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

Cape Fear Farm Credit, ACA  
333 East Russell Street  
Fayetteville, NC 28301

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

Central Kentucky Agricultural Credit Association  
640 S. Broadway  
Lexington, KY 40588

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  
106 Sangers Lane  
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  
408 East Broadway  
Mayfield, KY 42066

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

#### **AgriBank District**

AgCountry Farm Credit Services, ACA  
1900 44th Street South  
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

Delta Agricultural Credit Association  
118 E. Speedway  
Dermott, AR 71638

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 Midsouth, ACA  
3000 Prosperity Drive  
Jonesboro, AR 72404

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**

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 Enid, ACA  
1605 W. Owen K. Garriott Road  
Enid, OK 73703

Farm Credit of New Mexico, ACA  
5651 Balloon Fiesta Parkway NE  
Albuquerque, NM 87113

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

Farm Credit West, ACA  
3755 Atherton Road  
Rocklin, CA 95765

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

Northwest Farm Credit Services, ACA  
2001 South Flint Road  
Spokane, WA 99224

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  
810 West Monte Vista Avenue  
Turlock, CA 95382

#### **Texas District**

Ag New Mexico, Farm Credit Services, ACA  
4501 N. Prince Street  
Clovis, NM 88101

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

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

Lone Star, ACA  
1612 Summit Avenue, Suite 300  
Fort Worth, TX 76102

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

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

Southern AgCredit, ACA  
402 West Parkway Place  
Ridgeland, MS 39157

Plains Land Bank, FLCA  
1616 S. Kentucky Street, Suite C-250  
Amarillo, TX 79102

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