Quarterly Report
March 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Mid-America, ACA and its subsidiaries, Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2022 (2022 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

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Louisville, KY 40232
(800) 444-FARM
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MERGER ACTIVITY

The merger between Farm Credit Mid-America, ACA and Farm Credit Midsouth, ACA was effective April 1, 2023. The merged entity, Farm Credit Mid-America, ACA, is headquartered in Louisville, Kentucky. The merged entity now serves over 137,000 customers in 391 counties in Arkansas, Indiana, Kentucky, Missouri, Ohio and Tennessee, and yields approximately $38.0 billion in owned and managed assets.

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2022 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

The Federal Reserve (the Fed) continued its fight with inflation through the first quarter, but not without complications. It was an active first quarter with continued rate hikes that are now linked to two U.S. bank failures. Both banks are outside the primary banking structure and focused on tech and venture capital firms. The bank failures weren't tied to credit issues, but poor asset management with investments in longer term maturities that lost value in the rising interest rate environment. Those failures may have slowed the Fed's rate hikes for now even though the Fed has yet to reach its targets. For our customers it is important to understand the Farm Credit System operates under a different structure than banks and at least for this issue there is very limited exposure to the System.

We are through most of the 2023 operating renewals and as expected most borrowers' financial statements are showing consistent gains from 2022 operations helping producers prepare eventually for tighter margins. Portions of the livestock sectors, specifically pork, are seeing challenges with high feed costs and declining market values. Almost all protein sectors, except beef, are seeing pressure on 2023 revenues compared to 2022. The Food and Agricultural Policy Research Institute (FAPRI) just released its March 2023 U.S. Agriculture Outlook and generally anticipates revenues and margins reducing to more historical levels over the next few years driven by higher production levels leading to increased carryover and reduced direct government payments. Net farm income is projected to fall from a record $162.7 billion in 2022 to $131.3 billion in 2023 (still historically high) to an average of $112.7 billion from 2024 to 2032. Farm debt is expected to increase from $504.0 billion in 2022 to $530.0 billion in 2023 and then an average of $559.0 billion from 2024 to 2032. FAPRI's long range projections generally fall back to long range trends absent any specific data or support for maintaining elevated margins.

According to the February 2023 Purdue Ag Economy Barometer, farmer sentiment weakened in February as producers continue to be concerned about high input costs and, increasingly, the risk of declining output prices and rising interest rates. Longer term, the percentage of producers who expect to see U.S. agricultural exports rise has been declining for some time and reached a new low in February 2023. Although both the long-term and short-term

farmland value indices remain positive, the percentage of producers who expect farmland values to fall in the upcoming year has been rising, reaching a life-of-survey peak in February.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $29.2 billion at March 31, 2023, a decrease of $71.8 million from December 31, 2022. The decrease was primarily due to repayments on production and intermediate-term loans offset by growth in real estate mortgage and agribusiness loans.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2022. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. Adversely classified loans were 1.5% of the portfolio at March 31, 2023, and December 31, 2022. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

Nonperforming Assets

Effective January 1, 2023, we adopted Accounting Standards Update (ASU) 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures and replaced the incurred loss guidance. This framework requires that management’s estimate reflects credit losses over the asset’s remaining expected life and considers expected future changes in macroeconomic conditions and is referred to as the Current Expected Credit Loss model (CECL). The allowance for credit losses comprises the allowance for credit losses on loans, the allowance for unfunded commitments, and the allowance for credit losses on investment securities.

Components of Nonperforming Assets

(dollars in thousands) **As of:**	**March 31, 2023**	December 31, 2022
Loans:		
Non-accrual	**$ 141,590**	$ 96,983
Accruing loans 90 days or more past due	**50,487**	124,846
Total nonperforming loans	**192,077**	221,829
Other property owned	**536**	147
Total nonperforming assets	**$ 192,613**	$ 221,976
Total nonperforming loans as a percentage of total loans	**0.7%**	0.8%
Non-accrual loans as a percentage of total loans	**0.5%**	0.3%
Current non-accrual loans as a percentage of total non-accrual loans	**78.9%**	73.2%
Total delinquencies as a percentage of total loans	**0.6%**	0.8%

Note: Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable. Additionally, certain prior period ratios have been updated to conform to current period presentation.

Our nonperforming assets have decreased from December 31, 2022 and have remained at acceptable levels. Total nonperforming loans as a percentage of total loans were well within our established risk management parameters.

The increase in non-accrual loans was primarily due to certain real estate and production and intermediate-term loans that moved to non-accrual status during the first quarter of 2023. Non-accrual loans remained at an acceptable level at March 31, 2023, and December 31, 2022.

The decrease in accruing loans 90 days or more past due and the decrease in total delinquencies as a percentage of total loans was primarily due to the collection of a delinquent United States Department of Agriculture (USDA) guaranteed loan. The collection on the account had been delayed at the request of the USDA. The remaining USDA guaranteed assets are well secured and full payment is expected. Our accounting policy requires loans past due 90 days or more to be transferred into non-accrual status unless adequately secured and a plan is in place to collect past due amounts. Based on our analysis, accruing loans 90 days or more past due were eligible to remain in accruing status.

Allowance for Loan Losses

Allowance For Loan Losses Coverage Ratios

As of:	**March 31, 2023**	December 31, 2022
Allowance for loan losses as a percentage of:		
Loans	**0.19%**	0.20%
Non-accrual loans	**39.1%**	61.1%
Total nonperforming loans[1]	**28.8%**	27.9%

[1]Prior period ratio has been updated to conform to current period presentation.

Effective January 1, 2023, the allowance for loan losses is an estimate of expected credit losses in our portfolio. We determine the appropriate level of allowance for loan losses based on a disciplined process and methodology that incorporates expected probabilities of default and severity of loss based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions. Prior to January 1, 2023, the allowance for loan losses was an estimate of losses on loans in our portfolio as of the financial statement date.

Total allowance for loan losses was $55.3 million at March 31, 2023, and $59.2 million at December 31, 2022. The decrease from December 31, 2022, was primarily related to the cumulative effect adjustment as a result of the adoption of CECL offset by increased specific reserves on loans that moved to non-accrual status during the first quarter of 2023. Additional information regarding the CECL adoption is included in Note 1. In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at March 31, 2023.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands)

For the three months ended March 31,	**2023**	2022
Net income	**$ 119,645**	$ 111,151
Return on average assets	**1.50%**	1.51%
Return on average members' equity	**8.46%**	8.24%

Changes presented in the profitability information chart relate directly to:

- Changes in income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands)

For the three months ended March 31,	**2023**	2022	**Increase (decrease) in net income**
Net interest income	**$ 171,291**	$ 149,785	**$ 21,506**
Provision for credit losses	**11,460**	(2,663)	**(14,123)**
Non-interest income	**58,750**	52,278	**6,472**
Non-interest expense	**96,580**	89,911	**(6,669)**
Provision for income taxes	**2,356**	3,664	**1,308**
Net income	**$ 119,645**	$ 111,151	**$ 8,494**

Net Interest Income

Changes in Net Interest Income

(in thousands)

For the three months ended March 31,	**2023 vs 2022**
Changes in volume	**$ 8,216**
Changes in interest rates	**13,344**
Changes in non-accrual income and other	**(54)**
Net change	**$ 21,506**

Provision for Credit Losses

The increase in provision for credit losses was due to the specific reserves established on loans that moved to non-accrual status during the first quarter of 2023.

Non-Interest Income

The change in non-interest income was primarily due to the increase in patronage income from AgriBank.

Patronage Income: We may receive patronage from AgriBank and other Farm Credit institutions. Patronage distributions from AgriBank and other Farm Credit institutions are declared solely at the discretion of each institution's Board of Directors. AgriBank may distribute patronage in the form of cash or stock. All other patronage from other Farm Credit institutions is typically distributed in cash.

Patronage Income

(in thousands)

For the three months ended March 31,	2023	2022
Patronage from AgriBank	$ 43,287	$ 35,990
AgDirect partnership distribution	2,410	2,229
Other patronage	410	1,459
Total patronage income	$ 46,107	$ 39,678

Patronage from AgriBank primarily includes wholesale patronage and pool program patronage.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable was scheduled to mature on April 30, 2025. However, it was renewed early for $32.0 billion with a maturity date of March 31, 2026. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at March 31, 2023, or December 31, 2022.

Total members' equity increased $66.4 million from December 31, 2022, primarily due to net income for the period and the cumulative effect of the change in accounting principle partially offset by patronage distribution accruals.

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 7 in our 2022 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

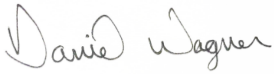
As of:	March 31, 2023	December 31, 2022	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**15.7%**	16.4%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**15.7%**	16.4%	6.0%	2.5%	8.5%
Total capital ratio	**15.9%**	16.6%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.7%**	16.4%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**15.0%**	15.6%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**14.7%**	15.3%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 11 in our 2022 Annual Report.

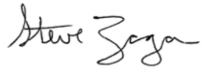
CERTIFICATION

The undersigned have reviewed the March 31, 2023, Quarterly Report of Farm Credit Mid-America, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Andrew Wilson
Chair of the Board
Farm Credit Mid-America, ACA



Daniel Wagner
President and Chief Executive Officer
Farm Credit Mid-America, ACA



Steve Zagar
Chief Financial Officer
Farm Credit Mid-America, ACA

May 10, 2023

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

As of:	March 31, 2023	December 31, 2022
ASSETS		
Loans	**$ 29,203,129**	$ 29,274,940
Allowance for loan losses	**55,331**	59,233
Net loans	**29,147,798**	29,215,707
Investment in AgriBank, FCB	**1,036,990**	1,041,250
Investment securities	**1,343,533**	1,221,684
Accrued interest receivable	**251,338**	268,875
Assets held for lease, net	**14,410**	15,777
Other assets	**437,676**	395,221
Total assets	**$ 32,231,745**	$ 32,158,514
LIABILITIES		
Note payable to AgriBank, FCB	**$ 26,197,563**	$ 26,015,258
Accrued interest payable	**192,635**	173,932
Deferred tax liabilities, net	**4,654**	302
Patronage distribution payable	**65,437**	230,000
Other liabilities	**105,232**	139,164
Total liabilities	**26,565,521**	26,558,656
Contingencies and commitments (Note 4)		
MEMBERS' EQUITY		
Capital stock and participation certificates	**82,087**	81,749
Unallocated surplus	**5,584,835**	5,518,828
Accumulated other comprehensive loss	**(698)**	(719)
Total members' equity	**5,666,224**	5,599,858
Total liabilities and members' equity	**$ 32,231,745**	$ 32,158,514

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Mid-America, ACA

(in thousands)

(Unaudited)

	Three Months Ended	
For the period ended March 31,	**2023**	2022
Interest income	**$ 363,909**	$ 240,153
Interest expense	**192,618**	90,368
Net interest income	**171,291**	149,785
Provision for credit losses	**11,460**	(2,663)
Net interest income after provision for credit losses	**159,831**	152,448
Non-interest income		
Patronage income	**46,107**	39,678
Financially related services income	**570**	759
Fee income	**10,247**	11,410
Operating lease income	**526**	1,271
Other non-interest income, net	**1,300**	(840)
Total non-interest income	**58,750**	52,278
Non-interest expense		
Salaries and employee benefits	**56,973**	55,055
Other operating expense	**39,417**	34,865
Other non-interest expense, net	**190**	(9)
Total non-interest expense	**96,580**	89,911
Income before income taxes	**122,001**	114,815
Provision for income taxes	**2,356**	3,664
Net income	**$ 119,645**	$ 111,151
Other comprehensive income		
Employee benefit plans activity	**$ 21**	$ 29
Total other comprehensive income	**21**	29
Comprehensive income	**$ 119,666**	$ 111,180

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Mid-America, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2021	$ 80,285	$ 5,289,781	$ (900)	$ 5,369,166
Net income	--	111,151	--	111,151
Other comprehensive income	--	--	29	29
Unallocated surplus designated for patronage distributions	--	(54,400)	--	(54,400)
Capital stock and participation certificates issued	2,286	--	--	2,286
Capital stock and participation certificates retired	(1,907)	--	--	(1,907)
Balance at March 31, 2022	$ 80,664	$ 5,346,532	$ (871)	$ 5,426,325
Balance at December 31, 2022	$ 81,749	$ 5,518,828	$ (719)	$ 5,599,858
Net income	**--**	**119,645**	**--**	**119,645**
Other comprehensive income	**--**	**--**	**21**	**21**
Unallocated surplus designated for patronage distributions	**--**	**(63,696)**	**--**	**(63,696)**
Cumulative effect of change in accounting principle	**--**	**10,058**	**--**	**10,058**
Capital stock and participation certificates issued	**1,636**	**--**	**--**	**1,636**
Capital stock and participation certificates retired	**(1,298)**	**--**	**--**	**(1,298)**
Balance at March 31, 2023	**$ 82,087**	**$ 5,584,835**	**$ (698)**	**$ 5,666,224**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the three months ended March 31, 2023, are not necessarily indicative of the results to be expected for the year ending December 31, 2023. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2022 (2022 Annual Report).

Principles of Consolidation

The Consolidated Financial Statements present the consolidated financial results of Farm Credit Mid-America, ACA and its subsidiaries Farm Credit Mid-America, FLCA and Farm Credit Mid-America, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

Significant Accounting Policies

Effective January 1, 2023, we adopted Accounting Standards Update (ASU) 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” This guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures and replaced the incurred loss guidance. This framework requires that management’s estimate reflects credit losses over the asset’s remaining expected life and considers expected future changes in macroeconomic conditions and is referred to as the Current Expected Credit Loss model (CECL). The allowance for credit losses comprises the allowance for credit losses on loans, the allowance for unfunded commitments, and the allowance for credit losses on investment securities.

Loans: Loans are carried at their principal amount outstanding, net of any unearned income, cumulative net charge-offs and unamortized deferred fees and costs on originated loans and unamortized premiums or discounts on purchased loans. Loan interest is accrued and credited to interest income based upon the daily principal amount outstanding. Origination fees, net of related costs, are deferred and recognized over the life of the loan as an adjustment to net interest income. The net amount of loan fees and related origination costs are not material to the Consolidated Financial Statements taken as a whole.

A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan remains contractually past due until it is modified or until the entire amount past due, including principal, accrued interest and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full.

Generally, loans are placed in nonaccrual status when principal or interest is delinquent for 90 days or more (unless adequately secured and in the process of collection) or circumstances indicate that full collection is not expected. When a loan is placed in nonaccrual status, and the interest is determined to be both uncollectible and the loss is known, we reverse current year accrued interest to the extent principal plus accrued interest exceeds the net realizable value of the collateral prior to reclassification. When we deem a loan to be uncollectible, we charge the loan principal and prior year(s) accrued interest against the allowance for loan losses. Subsequent recoveries, if any, are added to the allowance for loan losses. Any cash received on nonaccrual loans is applied to reduce the recorded investment in the loan, except in those cases where the collection of the recorded investment is fully expected and certain other criteria are met. In these circumstances, interest is credited to income when cash is received. Loans are charged-off at the time they are determined to be uncollectible. Nonaccrual loans may be returned to accrual status when principal and interest are current, the customer’s ability to fulfill the contractual payment terms is fully expected, and, if the loan was past due when placed in nonaccrual status, the loan has evidence of sustained performance in making on-time contractual payments (typically based on payment frequency).

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

Prior to January 1, 2023, in situations where, for economic or legal reasons related to the borrower’s financial difficulties, we granted a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan was classified as a troubled debt restructuring (TDR), also known as a formally restructured loan for regulatory purposes. A concession was generally granted to minimize economic loss and avoid foreclosure. Concessions varied by program and borrower and may have included interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. Loans classified as TDRs were considered risk loans. There may have been modifications made in the normal course of business that were not considered TDRs.

Loans that are sold as participations are transferred as entire financial assets, groups of entire financial assets, or participating interests in the loans. The transfers of such assets or participating interests are structured such that control over the transferred assets, or participating interests have been surrendered and that all the conditions have been met to be accounted for as a sale.

Allowance for Credit Losses on Loans: Beginning January 1, 2023, the allowance for credit losses on loans (ACLL) represents the estimated current expected credit losses on the loan portfolio, including unfunded commitments, over the remaining contractual life of the loan portfolio, adjusted for expected prepayments, and expected utilization of unfunded commitments. The ACLL takes into consideration relevant information about past events,

current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are not unconditionally cancellable.

The allowance is increased through provisions for credit losses and loan recoveries and is decreased through loan loss reversals and loan charge-offs. The allowance for credit losses on unfunded commitments is included in "Other Liabilities" in the Consolidated Statements of Condition. See Note 2 Loans and allowance for loan losses for further information.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the then-existing loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for credit losses in those future periods. Loans are evaluated on the amortized cost basis. We utilize the weighted results of three economic scenarios (Baseline, Pessimistic and Optimistic) over a reasonable and supportable forecast period of two years followed by a two year reversion to long-term economic values which obtain for the remaining contractual life of loans. Subsequent to the forecast period, we revert to historical loss experience to inform the estimate of losses for the remaining estimated contractual life of the portfolio.

The economic forecasts are updated on a quarterly basis and include macroeconomic variables such as net farm income, unemployment rates, housing price index, and agricultural land values. These are combined with loan and borrower characteristics such as internal risk ratings, loan type, and the remaining term of the loan to calculate an estimated expected credit loss. We also consider the imprecision inherent in the process and methodology, which may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral.

The process and methodology to establish the ACLL has two components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for loans that share similar risk characteristics to estimate expected credit losses using the methodology described above. When a loan does not share risk characteristics with other loans, expected credit loss is measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan’s effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with our appraisal policy, the fair value of collateral-dependent loans is based upon independent third-party appraisals or on collateral valuations prepared by in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan’s expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed or non-recoverable, the credit loss portion of the loan will be charged-off against the allowance for credit losses.

In estimating the component of the ACLL that share common risk characteristics, loans are pooled and segregated into loan classes based on loan type, commodity, and internal risk rating. The model calculates an expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by internal risk rating, and the severity of loss, based on the aggregate net lifetime losses incurred.

The final credit loss estimate also considers factors not reflected in the economic forecast and historical loss experience due to the unique aspects of current conditions and expectations. These factors may include, but are not limited to: lending policies and procedures, experience and depth of lending staff, credit quality and delinquency trends, individual borrower and industry concentrations, national, regional, and local economic business conditions and developments, and collateral value trends.

Prior to January 1, 2023, the allowance for loan losses was an estimate of losses inherent in our loan portfolio as of the financial statement date. We determined the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions. Refer to our 2022 Annual Report for additional information.

Accrued Interest Receivable: Accrued interest receivable is presented separately in the Consolidated Statements of Condition and includes accrued interest on loans and investment securities. Additionally, accrued interest receivable has been excluded from the footnote disclosures for all periods after January 1, 2023.

Investment Securities: We are authorized by the Farm Credit Administration to purchase and hold certain types of investments. As we have the positive intent and ability to hold these investments to maturity, they have been classified as held-to-maturity and are carried at amortized cost, net of allowance for credit losses on investments upon the adoption of CECL. Purchased premiums and discounts are amortized or accreted using the interest method over the terms of the respective securities.

Quarterly, we evaluate the investment portfolio for credit losses. When the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the security, an allowance for credit losses is recognized and is limited to the amortized cost less the fair value. For securities that are guaranteed by the U.S. government or other governmental agencies, we have not recognized an allowance for credit losses on investments as our expectation of nonpayment of the amortized cost basis, based on historical losses, is zero.

There have been no other changes in our accounting policies as disclosed in our 2022 Annual Report, except as described above and in the Recently Issued or Adopted Accounting Pronouncements section below.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business. While we are a nonpublic business entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In March 2020, the FASB issued ASU 2020-04 "Reference Rate Reform, Topic 848." In January 2021, the FASB issued ASU 2021-01 further amending Topic 848. This guidance may be elected and applied prospectively over time beginning March 12, 2020. In December 2022, the FASB issued ASU 2022-06 "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848", which deferred the sunset date of Topic 848 to December 31, 2024. After December 31, 2024, entities will no longer be permitted to apply the relief in Topic 848.	The guidance provides optional expedients and exceptions for applying GAAP to contracts and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate.	During March 2021, we adopted this standard. Additionally, we intend to apply the relief granted in the extension. To date, the adoption of this standard has not had a material impact on our financial condition, results of operations, cash flows, and financial statement disclosures.
In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We qualified for the deferral of the mandatory effective date. As a result of the change, the standard was effective for our first quarter of 2023 and early adoption was permitted. Additionally, the FASB issued several updates during 2019 refining and clarifying Topic 326.	This guidance replaced 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.	We adopted the standard and subsequently issued updates as of January 1, 2023. As a result of adoption of this guidance, the allowance for loan losses decreased by $10.1 million and the reserve for unfunded commitments decreased by $3.6 million, with a cumulative-effect increase, net of tax balances, to retained earnings of $10.1 million. The adoption of the standard did not have a material impact related to our held-to-maturity investment portfolio as the substantial majority of these investments carry a full faith and credit guarantee of the U.S. government or an implicit credit guarantee from its agencies and have an immaterial risk of credit loss. No allowance for credit losses was recognized in relation to our investment portfolio upon adoption.
In March 2022, the FASB issued ASU 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The guidance was effective at the same time that ASU 2016-13 was adopted.	This guidance eliminated the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings. The expanded Vintage Disclosures are not applicable to nonpublic business entities.	We adopted the standard on January 1, 2023. The adoption of this guidance did not have a material impact on our financial statements, but modified certain disclosures beginning with our first quarter 2023 Quarterly Report. However, modifications during the period were not material; therefore, related disclosures have been omitted from this report.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**March 31, 2023**		December 31, 2022	
	Amortized Cost	%	Amortized Cost	%
Real estate mortgage	**$ 18,637,349**	**63.8%**	$ 18,485,811	63.1%
Production and intermediate-term	**4,785,567**	**16.4%**	5,125,775	17.5%
Agribusiness	**3,715,192**	**12.7%**	3,562,228	12.2%
Rural residential real estate	**925,135**	**3.2%**	895,459	3.1%
Finance leases and other	**1,139,886**	**3.9%**	1,205,667	4.1%
Total	**$ 29,203,129**	**100.0%**	$ 29,274,940	100.0%

The finance leases and other category is primarily composed of certain assets characterized as mission related investments and rural infrastructure related loans, as well as lease receivables.

In the following loan information, as a result of the adoption of CECL, accrued interest receivable on loans of $236.7 million at March 31, 2023, has been excluded from the amortized cost of loans and is presented in “Accrued interest receivable” in the Consolidated Statements of Condition.

Credit Quality

We utilize the Farm Credit Administration (FCA) Uniform Classification System to categorize loans into five credit quality categories. The categories are:

- Acceptable – loans are non-criticized loans representing the highest quality. They are expected to be fully collectible. This category is further differentiated into various probabilities of default.
- Other assets especially mentioned (Special Mention) – loans are currently collectible but exhibit some potential weakness. These loans involve increased credit risk, but not to the point of justifying a substandard classification.
- Substandard – loans exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – loans exhibit similar weaknesses as substandard loans. Doubtful loans have additional weaknesses in existing factors, conditions, and values that make collection in full highly questionable.
- Loss – loans are considered uncollectible.

We had no loans categorized as loss at March 31, 2023, or December 31, 2022.

Credit Quality of Loans at Amortized Cost[1]

(dollars in thousands)	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of March 31, 2023	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	**$ 18,066,496**	**97.0%**	**$ 267,373**	**1.4%**	**$ 303,480**	**1.6%**	**$ 18,637,349**	**100.0%**
Production and intermediate-term	**4,602,929**	**96.2%**	**99,545**	**2.1%**	**83,093**	**1.7%**	**4,785,567**	**100.0%**
Agribusiness	**3,656,454**	**98.4%**	**21,165**	**0.6%**	**37,573**	**1.0%**	**3,715,192**	**100.0%**
Rural residential real estate	**912,566**	**98.7%**	**1,229**	**0.1%**	**11,340**	**1.2%**	**925,135**	**100.0%**
Finance leases and other	**1,139,536**	**100.0%**	**--**	**--**	**350**	**0.0%**	**1,139,886**	**100.0%**
Total	**$ 28,377,981**	**97.2%**	**$ 389,312**	**1.3%**	**$ 435,836**	**1.5%**	**$ 29,203,129**	**100.0%**

	Acceptable		Special Mention		Substandard/ Doubtful		Total	
As of December 31, 2022	Amount	%	Amount	%	Amount	%	Amount	%
Real estate mortgage	$ 18,050,269	96.8%	$ 287,460	1.5%	$ 305,671	1.7%	$ 18,643,400	100.0%
Production and intermediate-term	4,984,802	96.1%	113,124	2.2%	87,124	1.7%	5,185,050	100.0%
Agribusiness	3,519,263	98.2%	11,683	0.3%	52,346	1.5%	3,583,292	100.0%
Rural residential real estate	885,468	98.6%	1,236	0.1%	11,811	1.3%	898,515	100.0%
Finance leases and other	1,221,383	100.0%	--	--	503	0.0%	1,221,886	100.0%
Total	$ 28,661,185	97.1%	$ 413,503	1.4%	$ 457,455	1.5%	$ 29,532,143	100.0%

[1]Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.

Delinquency

Aging Analysis of Loans at Amortized Cost[1]

(in thousands) **As of March 31, 2023**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	**$ 38,107**	**$ 10,081**	**$ 48,188**	**$ 18,589,161**	**$ 18,637,349**	**$ 257**
Production and intermediate-term	**10,324**	**6,129**	**16,453**	**4,769,114**	**4,785,567**	**509**
Agribusiness	**355**	**156**	**511**	**3,714,681**	**3,715,192**	**--**
Rural residential real estate	**4,111**	**3,228**	**7,339**	**917,796**	**925,135**	**819**
Finance leases and other	**54,502**	**49,108**	**103,610**	**1,036,276**	**1,139,886**	**48,902**
Total	**$ 107,399**	**$ 68,702**	**$ 176,101**	**$ 29,027,028**	**$ 29,203,129**	**$ 50,487**

As of December 31, 2022	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total	Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 16,194	$ 12,617	$ 28,811	$ 18,614,589	$ 18,643,400	$ 449
Production and intermediate-term	4,162	6,084	10,246	5,174,804	5,185,050	449
Agribusiness	--	148	148	3,583,144	3,583,292	--
Rural residential real estate	6,195	2,081	8,276	890,239	898,515	79
Finance leases and other	70,903	124,072	194,975	1,026,911	1,221,886	123,869
Total	$ 97,454	$ 145,002	$ 242,456	$ 29,289,687	$ 29,532,143	$ 124,846

[1]Prior to the adoption of CECL, which was effective January 1, 2023, accruing loans included accrued interest receivable.

Non-Accrual Loans

Non-Accrual Loans by Type

(in thousands) **As of:**	**March 31, 2023**	December 31, 2022
Real estate mortgage	**$ 110,613**	$ 70,351
Production and intermediate-term	**25,154**	20,766
Agribusiness	**156**	148
Rural residential real estate	**5,424**	5,474
Finance leases and other	**243**	244
Total	**$ 141,590**	$ 96,983

Additional Non-Accrual Loans Information

	As of March 31, 2023	**For the Three Months Ended March 31, 2023**
(in thousands)	Amortized Cost Without Allowance	Interest Income Recognized
Real estate mortgage	**$ 95,285**	**$ 2,345**
Production and intermediate-term	**15,607**	**848**
Agribusiness	**156**	**--**
Rural residential real estate	**5,247**	**186**
Finance leases and other	**243**	**--**
Total	**$ 116,538**	**$ 3,379**

We reversed from interest income $237 thousand of interest receivables for the three months ended March 31, 2023.

Allowance for Credit Losses

Changes in Allowance for Credit Losses

(in thousands) **Three months ended March 31,**	**2023**	2022
Allowance for Loan Losses		
Balance at beginning of period	**$ 59,233**	$ 70,723
Cumulative effect of change in accounting principle	**(10,114)**	--
Provision for loan losses	**6,309**	(3,075)
Recoveries	**340**	553
Charge-offs	**(437)**	(1,298)
Balance at end of period	**$ 55,331**	$ 66,903
Allowance for Unfunded Commitments		
Balance at beginning of period	**$ 8,578**	$ 7,310
Cumulative effect of change in accounting principle	**(3,561)**	--
Provision for unfunded commitments	**5,151**	412
Balance at end of period	**$ 10,168**	$ 7,722
Total allowance for credit losses	**$ 65,499**	$ 74,625

Previously Required Disclosures

The disclosures in this section were required prior to January 1, 2023. Upon the adoption of CECL, these disclosures are no longer required prospectively.

Risk Loans: Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands) **As of:**		December 31, 2022
Volume with specific allowance	$	10,531
Volume without specific allowance		226,246
Total risk loans	$	236,777
Total specific allowance	$	5,090
For the three months ended March 31,		2022
Income on accrual risk loans	$	1,030
Income on non-accrual loans		3,433
Total income on risk loans	$	4,463
Average risk loans	$	239,031

Note: Accruing loans include accrued interest receivable.

TDRs: Prior to the adoption of CECL, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program and were borrower-specific and could include interest rate reductions, term extensions, payment deferrals, or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven.

We completed TDRs of certain production and intermediate-term loans during the three months ended March 31, 2022. Our recorded investment in these loans just prior to and immediately following restructuring was $104 thousand during the three months ended March 31, 2022. The recorded investment is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment. The primary type of modification for the three months ended March 31, 2022, included interest rate reduction below market.

The amortized cost plus accrued interest of TDRs in the production and intermediate-term loan category that defaulted during the three months ended March 31, 2022, in which the modifications were within twelve months of the respective reporting period was $449 thousand.

TDRs Outstanding

(in thousands) **As of:**		December 31, 2022
Accrual status:		
Real estate mortgage	$	11,008
Production and intermediate-term		2,577
Rural residential real estate		1,363
Total TDRs in accrual status	$	14,948
Non-accrual status:		
Real estate mortgage	$	5,402
Production and intermediate-term		762
Rural residential real estate		283
Total TDRs in non-accrual status	$	6,447
Total TDRs:		
Real estate mortgage	$	16,410
Production and intermediate-term		3,339
Rural residential real estate		1,646
Total TDRs	$	21,395

Note: Accruing loans include accrued interest receivable.

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $1.3 billion at March 31, 2023, and $1.2 billion at December 31, 2022. Our investment securities consisted of pools of loans guaranteed by the Small Business Administration (SBA), except for $5.7 million at March 31,2023, and December 31, 2022, which were not guaranteed.

The investment securities have been classified as held-to-maturity. Effective January 1, 2023, we adopted CECL. Prior to January 1, 2023, the investment portfolio was evaluated for other-than-temporary impairment. No investments within the portfolio were impaired at December 31, 2022. No allowance for credit losses was recognized in relation to our investment portfolio at March 31, 2023.

Our investments are either mortgage-backed securities (MBS), which are generally longer-term investments, or asset-backed securities (ABS), which are generally shorter-term investments. SBA guaranteed investments may be comprised of either MBS or ABS.

Additional Investment Securities Information

(dollars in thousands) **As of March 31, 2023**		Amortized Cost
MBS	**$**	**960,811**
ABS		**382,722**
Total	**$**	**1,343,533**

Accrued interest receivable on investment securities is presented in “Accrued interest receivable” in the Consolidated Statements of Condition and was $14.6 million at March 31, 2023.

Investment income is recorded in “Interest income” in the Consolidated Statements of Comprehensive Income and totaled $13.8 million and $989 thousand for the three months ended March 31, 2023, and 2022, respectively.

Contractual Maturities of Investment Securities

(in thousands) **As of March 31, 2023**		Amortized Cost
Less than one year	**$**	**129**
One to five years		**1,521**
Five to ten years		**301,181**
More than ten years		**1,040,702**
Total	**$**	**1,343,533**

Previously Required Disclosures

The disclosures in this section were required prior to January 1, 2023. Upon the adoption of CECL, these disclosures are no longer required prospectively.

Additional Investment Securities Information

(dollars in thousands) As of December 31, 2022	Weighted Average Yield		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
MBS	1.6%	$	877,619	$	--	$	74,961	$	802,658
ABS	2.3%		344,065		--		24,144		319,921
Total	1.8%	$	1,221,684	$	--	$	99,105	$	1,122,579

A summary of investments in an unrealized loss position presented by the length of time the investments have been in a continuous unrealized loss position follows:

(in thousands)	Less than 12 months				Greater than 12 months			
As of December 31, 2022		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses
MBS	$	654,761	$	55,442	$	147,691	$	19,519
ABS		298,548		21,902		21,373		2,242
Total	$	953,309	$	77,344	$	169,064	$	21,761

NOTE 4: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

Refer to Note 11 in our 2022 Annual Report for additional detail regarding contingencies and commitments.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2022 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at March 31, 2023, or December 31, 2022.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of March 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	**$ --**	**$ --**	**$ 10,513**	**$ 10,513**
Other property owned	**--**	**--**	**568**	**568**

As of December 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	$ --	$ --	$ 5,712	$ 5,712
Other property owned	--	--	156	156

Valuation Techniques

Loans: Represents the carrying amount of loans evaluated individually for credit losses and are deemed to be collateral dependent. The carrying value amount is based on the estimated value of the underlying collateral, less costs to sell. When the fair value of the collateral, less cost to sell, is less than the amortized cost basis of the loan, a specific allowance for expected credit losses is established. Costs to sell represent transaction costs and are not included as a component of the collateral's estimated fair value. Typically, the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters and, therefore, are classified as Level 3 fair value measurements.

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 10, 2023, which is the date the Consolidated Financial Statements were available to be issued.

On April 1, 2023, Farm Credit Midsouth merged its operations with and into the Association. All shareholders of Farm Credit Midsouth exchanged Midsouth capital stock for capital stock in Farm Credit Mid-America. This exchange was made at the stock's par value. The Farm Credit Administration issued amended charters for the merged association encompassing the territories previously served by the separate associations.

The merger was accounted for under the acquisition method of accounting in accordance with the FASB Accounting Standards Codification 805 Business Combinations. As the acquirer, the Association recognized the identifiable assets acquired and liabilities assumed in the merger as of April 1, 2023, at their respective fair values. No goodwill was recorded in connection with the transaction. The fair values were based on various assumptions that management believes were reasonable utilizing information available at the time of the transaction.

There have been no other material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.