GreenStone Farm Credit Services, ACA

Quarterly Report
March 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of GreenStone Farm Credit Services, ACA and its subsidiaries, GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, 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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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 United States (U.S.) real gross domestic product (GDP) increased at an annual rate of 1.1% in the first quarter of 2023, according to the Bureau of Economic Analysis. This increase reflects increases in consumer spending, exports, federal government spending, state and local spending, and nonresidential fixed investment that were partially offset by decreases in private inventory investment and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased. Comparing to the 2.6% GDP increase in the fourth quarter of 2022, suggests the economy is cooling.

The U.S. Bureau of Labor Statistics reported the Consumer Price Index (CPI) rose 0.1% in March 2023 on a seasonally adjusted basis, after rising 0.4% in February 2023. The CPI rose 5.0% for the 12 months ending in March 2023, which is the smallest 12 month increase since May 2021. The energy index decreased 6.4% but the food index increased 8.5% over the past year. The labor market remains firm, with the unemployment rate at 3.5% in March 2023, as employment continued to trend up in hospitality, government, professional and business services, and health care.

The Federal Open Market Committee (FOMC) increased the federal funds rate by 0.25% at their March 2023 meeting, which brings the target range to 4.75%-5.00%. In addition, the FOMC reaffirmed the current pace of quantitative tightening as they have allowed up to $60 billion of Treasury securities and $35 billion of mortgage-backed securities to runoff its balance sheet each month. The meeting statement noted that "recent indicators point to modest growth in spending and production" and that job gains "are running at a robust pace." The FOMC also recognized the strains within the banking system by saying they "are likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring and inflation, although the extent of these effects is uncertain."

The Federal Reserve's Beige Book that covered the period of March through early April 2023 reported that overall economic activity was little changed with the exceptions of the San Francisco and Dallas districts. Every district reported tighter lending standards and/or some sort of decline in loan volumes, but the overall impact of the recent financial turmoil has been modest across most districts. The San Francisco district, that included Silicon Valley Bank and Signature Bank, is the exception as it reported that "lending activity fell significantly in recent weeks amid higher interest rates and elevated uncertainty in the banking sector." The San Francisco Fed went on to report that despite ample liquidity, lending standards tightened considerably and projects across sectors have been delayed or cancelled due to sudden rise in financing costs. First Republic Bank, another mid-sized regional bank headquartered in the San Francisco district with a highly concentrated customer base, was acquired by J.P. Morgan Chase after financial results for the first quarter of 2023 disclosed unrealized losses and liquidity problems as total deposits fell 41%, even after a consortium of banks stepped in to prevent the lender from failing.

According to the National Association of Realtors, existing home sales declined 2.4% in March 2023 from the previous month and 22.0% from a year ago. The median existing home sales price dipped 0.9% from the previous year to $375,700. The inventory of unsold existing homes rose 1.0% from the prior month to 980,000 at the end of March, or the equivalent of 2.6 months' supply at the current monthly sales pace.

The U.S. agricultural economy posted new record highs for net farm income in each of the past two years. However, farmers will face challenges in 2023 in the form of higher operating costs, higher interest rates, a strong dollar, and potentially weaker domestic and export demand for agricultural products. On the positive side, fertilizer and natural gas prices continued to fall during the first quarter of 2023 after hitting decade highs in the first quarter of 2022, following Russia's invasion of Ukraine.

Our evolving political relationship with China will continue to have a meaningful impact on the agricultural economy given that China has made it clear that it would like to minimize its dependence on imports of U.S. farm products, as confirmed with China's decision to allow several major international traders to ship corn from Brazil, the largest competitor of the U.S. for grain and oilseed exports. The combined global ending stocks of corn, wheat, and soybeans are forecast to decline for the fifth straight year in 2023. For the 2023 harvest, the futures market has offered strong prices, but when accounting for increases in production costs, profitability is expected to be near breakeven.

The United States Department of Agriculture (USDA) April Livestock, Dairy, and Poultry Outlook reported their all-milk price forecast for 2023 at $20.65 per hundredweight (cwt.), which is down from an average price of $25.56 per cwt. in 2022. Milk production for 2023 is projected at 228.7 billion pounds for an average of 24,335 pounds per head, which would be up from 226.5 billion pounds for an average of 24,085 pounds per head in 2022. Domestic demand for U.S. dairy products remains firm, however demand is expected to cool in 2023 due to inflationary pressures on consumer spending. Softening demand is expected to result in lower milk prices, but wholesale and retail dairy product prices have remained mostly resilient. Ongoing structural changes within the dairy processing industry will likely persist in 2023 with the continual expansion of cheese processing capacity expected to divert milk away from butter churns, providing ample cheese supplies while keeping butter inventories tight. This trend would suggest that Class IV milk prices will likely maintain a premium to Class III milk in 2023.

Most U.S. animal protein industry segments have posted very strong financial performance over the past three years. However, the levels of profitability experienced in recent years will likely come to an end in 2023. On the demand side, consumers are making efforts to reduce spending in response to higher inflation and higher interest rates. Retail grocery sales of animal protein products continue to rise, but not as fast as inflation, meaning that sales volumes have begun to decline.

In the first quarter of 2023, hog prices were $54.83 per cwt., which is down 16.4% from the first quarter of 2022. Iowa State University's Estimated Farrow to Finish Livestock Returns reported January and February 2023 breakeven to be in the $70.00 range, implying hog producers sustained losses in the first quarter. Lower hog prices are being driven by consumer's demand for pork weakening, which is likely to be affected by economic tradeoffs necessitated by inflation's impact on the prices of goods and services that consumers deem essential to maintain chosen living standards.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $12.9 billion at March 31, 2023, an increase of $195.9 million from December 31, 2022. Our mortgage portfolio increased $420.0 million, or 4.1% from December 31, 2022, while our short and intermediate-term loan portfolio decreased $224.1 million, or 8.8% from December 31, 2022. When compared to March 31, 2022, owned and managed loan volume increased 10.9%. This increase was driven by growth in all market segments and led by our capital markets and country living segments that have increased 36.1% and 5.3% since March 31, 2022, respectively. Our current volume reflects an asset growth rate year-over-year that is running above our 2023 Business Plan.

Portfolio Credit Quality

The credit quality of our loan portfolio declined slightly during the first three months of 2023. Acceptable loan credit quality, as measured under the Uniform Classification System, was 97.1%, which decreased from 97.2% at December 31, 2022. Year-over-year, acceptable credit quality increased 1.5% from 95.6% at March 31, 2022. Portfolio assets classified as being less than acceptable was comprised of 1.4% other assets especially mentioned (OAEM) and 1.5% adversely classified. OAEM increased 0.1% while adversely classified was unchanged from December 31, 2022.

Adversely classified loans are identified as having material credit weaknesses which, if left uncorrected, result in a greater than normal risk. Portfolio credit quality is considered when assessing the reasonableness of our allowance for loan losses. Weaker borrowers in our cash crop, agribusiness, and livestock portfolios were challenged financially during the first three months of 2023.

The resulting level of credit quality, when combined with our earnings and addition to capital surplus, resulted in our adverse assets to regulatory capital ratio of 10.1%, which increased 0.5% from December 31, 2022.

In certain circumstances, the Federal Agricultural Mortgage Corporation and other government agency guarantee programs are used to reduce the risk of loss. At March 31, 2023, $396.6 million of our loans were substantially guaranteed under these programs. The guaranteed loan volume decreased from $400.6 million at December 31, 2022.

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:		
Nonaccrual	**$71,385**	$28,610
Accruing loans 90 days or more past due	**--**	--
Total nonperforming loans	**71,385**	28,610
Acquired property	**953**	1,709
Total nonperforming assets	**$72,338**	$30,319
Total nonperforming loans as a percentage of total loans	**0.6%**	0.2%
Nonaccrual loans as a percentage of total loans	**0.6%**	0.2%
Current nonaccrual loans as a percentage of total nonaccrual loans	**76.0%**	83.3%
Total delinquencies as a percentage of total loans	**0.2%**	0.2%

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 increased from December 31, 2022, but have remained at acceptable levels. Total nonperforming loans as a percentage of total loans remained well within our established risk management guidelines.

Nonaccrual loans increased from $28.6 million at December 31, 2022, to $71.4 million at March 31, 2023. This increase was primarily due to four capital markets purchased participations that transferred to nonaccrual during the first quarter of 2023. As of March 31, 2023, 79.7% of the nonaccrual loan portfolio was from five capital markets purchased participations.

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	**0.4%**	0.3%
Nonaccrual loans	**69.3%**	142.9%
Total nonperforming loans[1]	**69.3%**	142.9%

[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 inherent losses on loans in our portfolio as of the financial statement date.

After adoption of this guidance, the allowance for credit losses takes into consideration relevant information about past events, current conditions, and macroeconomic forecasts of future conditions. An economic scenario is considered over a reasonable and supportable forecast period, after which, the framework incorporates historical loss experience. Final loss estimates also consider factors affecting credit losses not reflected in the scenario, due to the unique aspects of current conditions and expectations. These factors may include, but are not limited to, lending policies, portfolio concentrations, regulatory guidance, and/or lags in economic forecast information.

As a result of adoption of this guidance, the allowance for loan losses decreased by $8.1 million but the reserve for unfunded commitments increased by $4.8 million with offset to retained earnings. The decrease in the allowance for loan losses is largely due to the requirement of the standard to estimate losses to the assets' contractual maturities, resulting in a decrease of allowances attributable to our short-term portfolios. Partially offsetting the decline are modest increases in allowance attributable to our long-term real estate portfolios.

The allowance for loan losses increased $8.6 million from December 31, 2022, to $49.5 million at March 31, 2023. During the first three months of 2023, provision for loan losses of $16.6 million along with $139 thousand of net recoveries were recorded. The cumulative effect adjustment as a result of the adoption of CECL partially offset the increase in the allowance for loan losses by $8.1 million, with the offset to retained earnings. 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.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loan commitments. As a result of the adoption of CECL, the reserve for unfunded commitments increased by $4.8 million, with the offset to retained earnings. Additional information regarding the CECL adoption is included in Note 1. The “provision for (reversal of) credit losses” in the Consolidated Statements of Income for the three months ended March 31, 2023, included a reversal of provision for credit losses on unfunded loan commitments of $1.5 million. The accrued credit losses are recorded in “other liabilities” in the Consolidated Statements of Condition. The accrued credit losses related to unfunded commitments were $7.2 million at March 31, 2023, which increased by $3.4 million from December 31, 2022.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the three months ended March 31,	**2023**	2022
Net income	**$61,614**	$73,821
Return on average assets	**1.8%**	2.5%
Return on average members' equity	**10.8%**	14.0%

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	**$84,541**	$69,526	**$15,015**
(Provision for) reversal of credit losses	**(15,142)**	12,617	**(27,759)**
Patronage income	**16,715**	13,421	**3,294**
Financially related services income	**4,838**	5,288	**(450)**
Fee income	**4,909**	4,511	**398**
Other non-interest income	**2,132**	401	**1,731**
Non-interest expense	**(33,909)**	(29,341)	**(4,568)**
Provision for income taxes	**(2,470)**	(2,602)	**132**
Net income	**$61,614**	$73,821	**($12,207)**

Net Interest Income

Changes in Net Interest Income

(in thousands) For the three months ended March 31,	**2023 vs 2022**
Changes in volume	**$7,318**
Changes in interest rates	**8,890**
Changes in nonaccrual income and other	**(1,193)**
Net change	**$15,015**

(Provision for) Reversal of Credit Losses

During the first three months of 2023, a provision for loan losses of $16.6 million was recorded, which was partially offset by a reversal of provision for credit losses on unfunded commitments of $1.5 million, resulting in a net provision for credit losses of $15.1 million. This provision was primarily due to specific reserves that were established on three capital markets purchased participations, which was partially offset by reductions in our collectively evaluated reserve, along with reducing a specific reserve on a capital markets participation due to payments received. The reversal of credit losses of $12.6 million in the first quarter of 2022 was primarily due to the payoff of all loan obligations by a large dairy in March 2022.

Non-Interest Income

The change in non-interest income was primarily due to patronage income and other non-interest income.

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. Patronage distributions may be in the form of cash or stock.

Patronage Income

(in thousands) For the three months ended March 31,	**2023**	2022
Patronage from AgriBank	**$15,568**	$12,014
AgDirect partnership distribution	**984**	958
Other patronage	**163**	449
Total patronage income	**$16,715**	$13,421

The increase in patronage income was primarily due to wholesale and pool program patronage income received from AgriBank. The wholesale patronage income is based on the average balance of our note payable to AgriBank, which increased during the first three months of 2023, compared to the prior year, primarily as a result of growth in our loan portfolio. In addition, the pool program patronage increased due to higher net earnings on loans in the pool, which was a result of loan growth experienced in the pool.

Other Non-interest Income: The increase in non-interest income was primarily due to $2.0 million in acquired property net income recorded during the first three months of 2023, which was primarily due to a gain from the sale of an acquired property.

Non-Interest Expense

The variance in non-interest expense in 2023 compared to 2022 was primarily due an increase of $2.5 million in salaries and employee benefit expense, along with an increase of $1.1 million in the Farm Credit System insurance expense. The Farm Credit System insurance expense increased in 2023 primarily due to an increase in the Farm Credit System Insurance Fund (Insurance Fund) premium rate on Systemwide adjusted insured debt. The premium rate, which is primarily impacted by System growth, was 18 basis points for the three months ended March 31, 2023, compared to 16 basis points for the same period in 2022. The Farm Credit System Insurance Corporation Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time. Refer to Note 1 in our 2022 Annual Report for additional information on the Insurance Fund.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on December 31, 2025. 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 $35.5 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 regulatory 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	**14.1%**	15.1%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**14.1%**	15.1%	6.0%	2.5%	8.5%
Total regulatory capital ratio	**14.4%**	15.4%	8.0%	2.5%	10.5%
Permanent capital ratio	**14.2%**	15.1%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**15.0%**	16.0%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**14.8%**	15.8%	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 GreenStone Farm Credit Services, 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.

Edward L. Reed
Chair of the Board
GreenStone Farm Credit Services, ACA

Travis D. Jones
Chief Executive Officer
GreenStone Farm Credit Services, ACA

Kimberly S. Brunner
Executive Vice President – Chief Financial Officer
GreenStone Farm Credit Services, ACA

May 9, 2023

CONSOLIDATED STATEMENTS OF CONDITION

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

As of:	**March 31, 2023**	December 31, 2022
ASSETS		
Loans	**$12,865,417**	$12,669,524
Allowance for loan losses	**49,490**	40,889
Net loans	**12,815,927**	12,628,635
Investment in AgriBank, FCB	**369,120**	350,696
Investment securities	**1,190**	1,284
Accrued interest receivable	**76,160**	83,869
Premises and equipment, net	**52,241**	52,423
Other assets	**97,036**	87,074
Total assets	**$13,411,674**	$13,203,981
LIABILITIES		
Note payable to AgriBank, FCB	**$10,937,362**	$10,678,542
Accrued interest payable	**86,104**	73,861
Patronage distribution payable	**30,000**	120,000
Deferred tax liabilities, net	**2,945**	1,073
Other liabilities	**59,783**	70,531
Total liabilities	**11,116,194**	10,944,007
Contingencies and commitments (Note 3)		
MEMBERS' EQUITY		
Protected members' equity	**1**	1
Capital stock and participation certificates	**25,924**	25,891
Unallocated surplus	**2,273,064**	2,237,685
Accumulated other comprehensive loss	**(3,509)**	(3,603)
Total members' equity	**2,295,480**	2,259,974
Total liabilities and members' equity	**$13,411,674**	$13,203,981

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Three Months Ended	
For the period ended March 31,	**2023**	2022
Interest income	**$170,645**	$101,621
Interest expense	**86,104**	32,095
Net interest income	**84,541**	69,526
Provision for (reversal of) credit losses	**15,142**	(12,617)
Net interest income after provision for (reversal of) credit losses	**69,399**	82,143
Non-interest income		
Patronage income	**16,715**	13,421
Financially related services income	**4,838**	5,288
Fee income	**4,909**	4,511
Other non-interest income	**2,132**	401
Total non-interest income	**28,594**	23,621
Non-interest expense		
Salaries and employee benefits	**22,332**	19,881
Other operating expense	**11,577**	9,460
Total non-interest expense	**33,909**	29,341
Income before income taxes	**64,084**	76,423
Provision for income taxes	**2,470**	2,602
Net income	**$61,614**	$73,821
Other comprehensive income		
Employee benefit plans activity	**$94**	$109
Total other comprehensive income	**94**	109
Comprehensive income	**$61,708**	$73,930

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2021	$1	$25,498	$2,072,939	($3,736)	$2,094,702
Net income	--	--	73,821	--	73,821
Other comprehensive income	--	--	--	109	109
Unallocated surplus designated for patronage distributions	--	--	(28,769)	--	(28,769)
Capital stock and participation certificates issued	--	651	--	--	651
Capital stock and participation certificates retired	--	(559)	--	--	(559)
Balance at March 31, 2022	$1	$25,590	$2,117,991	($3,627)	$2,139,955
Balance at December 31, 2022	$1	$25,891	$2,237,685	($3,603)	$2,259,974
Net income	**--**	**--**	**61,614**	**--**	**61,614**
Other comprehensive income	**--**	**--**	**--**	**94**	**94**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(29,540)**	**--**	**(29,540)**
Cumulative effect of change in accounting principle	**--**	**--**	**3,305**	**--**	**3,305**
Capital stock and participation certificates issued	**--**	**373**	**--**	**--**	**373**
Capital stock and participation certificates retired	**--**	**(340)**	**--**	**--**	**(340)**
Balance at March 31, 2023	**$1**	**$25,924**	**$2,273,064**	**($3,509)**	**$2,295,480**

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 GreenStone Farm Credit Services, ACA and its subsidiaries GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, 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, 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. Material loan 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 in order 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 of 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 loan 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 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, including unamortized premiums and discounts. We utilize a single economic scenario over a reasonable and supportable forecast period of three years. 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 agricultural commodity prices, unemployment rates, real gross domestic product levels, inflation rates, housing price indexes, and agricultural land values. Loan and borrower characteristics are also utilized and include internal risk ratings, delinquency status, and the remaining term of the loan, adjusted for expected prepayments. 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.

We employ a disciplined process and methodology to establish the ACLL that has two basic 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 estimated expected credit losses for pools of loans that share similar risk characteristics. 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, 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 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 $8.1 million and the reserve for unfunded commitments increased by $4.8 million, with a cumulative-effect increase, net of tax balances, to retained earnings of $3.3 million. The adoption of the standard did not have a material impact related to our held-to-maturity investment portfolio as all 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	**Percentage**	Amortized Cost	Percentage
Real estate mortgage	**$6,770,460**	**52.6%**	$6,858,494	54.1%
Production and intermediate-term	**2,053,545**	**16.0**	2,228,232	17.6
Agribusiness	**2,998,648**	**23.3**	2,724,693	21.5
Other	**1,042,764**	**8.1**	858,105	6.8
Total	**$12,865,417**	**100.0%**	$12,669,524	100.0%

The other category is primarily composed of rural infrastructure and rural residential real estate related loans.

In the following loan information, as a result of the adoption of CECL, accrued interest receivable on loans of $76.2 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	Percentage	Amount	Percentage	Amount	Percentage	Amount
Real estate mortgage	**$6,586,429**	**97.3%**	**$75,317**	**1.1%**	**$108,714**	**1.6%**	**$6,770,460**
Production and intermediate-term	**2,016,219**	**98.2**	**16,008**	**0.8**	**21,318**	**1.0**	**2,053,545**
Agribusiness	**2,851,493**	**95.1**	**80,167**	**2.7**	**66,988**	**2.2**	**2,998,648**
Other	**1,032,755**	**99.1**	**5,506**	**0.5**	**4,503**	**0.4**	**1,042,764**
Total	**$12,486,896**	**97.1%**	**$176,998**	**1.4%**	**$201,523**	**1.5%**	**$12,865,417**
As of December 31, 2022							
Real estate mortgage	$6,707,281	97.1%	$89,104	1.3%	$110,434	1.6%	$6,906,819
Production and intermediate-term	2,209,105	98.2	24,497	1.1	15,869	0.7	2,249,471
Agribusiness	2,628,282	96.1	52,865	1.9	55,641	2.0	2,736,788
Other	853,849	99.3	1,896	0.2	4,563	0.5	860,308
Total	$12,398,517	97.2%	$168,362	1.3%	$186,507	1.5%	$12,753,386

[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)	30-89 Days	90 Days or More	Total	Not Past Due or Less than 30	
As of March 31, 2023	Past Due	Past Due	Past Due	Days Past Due	Total
Real estate mortgage	**$9,439**	**$1,724**	**$11,163**	**$6,759,297**	**$6,770,460**
Production and intermediate-term	**3,689**	**2,220**	**5,909**	**2,047,636**	**2,053,545**
Agribusiness	**11,364**	**--**	**11,364**	**2,987,284**	**2,998,648**
Other	**1,035**	**--**	**1,035**	**1,041,729**	**1,042,764**
Total	**$25,527**	**$3,944**	**$29,471**	**$12,835,946**	**$12,865,417**
As of December 31, 2022					
Real estate mortgage	$11,765	$411	$12,176	$6,894,643	$6,906,819
Production and intermediate-term	5,917	716	6,633	2,242,838	2,249,471
Agribusiness	--	28	28	2,736,760	2,736,788
Other	1,116	34	1,150	859,158	860,308
Total	$18,798	$1,189	$19,987	$12,733,399	$12,753,386

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

There were no loans 90 days or more past due and still accruing interest at March 31, 2023, or December 31, 2022.

Nonaccrual Loans

Nonaccrual Loans by Type

(in thousands) As of:	**March 31, 2023**	December 31, 2022
Real estate mortgage	**$30,675**	$9,141
Production and intermediate-term	**5,692**	5,969
Agribusiness	**31,310**	12,649
Other	**3,708**	851
Total	**$71,385**	$28,610

Additional Nonaccrual 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	**$24,897**	**$504**
Production and intermediate-term	**1,017**	**84**
Other	**530**	**15**
Total	**$26,444**	**$603**

Interest receivables reversed from interest income were not material 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	**$40,889**	$55,056
Cumulative effect of change in accounting principle	**(8,134)**	--
Provision for (reversal of) loan losses	**16,596**	(9,302)
Recoveries	**183**	3,979
Charge-offs	**(44)**	(250)
Balance at end of period	**$49,490**	$49,483
Allowance for Unfunded Commitments		
Balance at beginning of period	**$3,826**	$3,315
Cumulative effect of change in accounting principle	**4,805**	--
Reversal of provision for unfunded commitments	**(1,454)**	(3,315)
Balance at end of period	**$7,177**	$ --
Total allowance for credit losses	**$56,667**	$49,483

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	$16,704
Volume without specific allowance	14,696
Total risk loans	$31,400
Total specific allowance	$8,799
For the three months ended March 31,	2022
Income on accrual risk loans	$33
Income on nonaccrual loans	1,843
Total income on risk loans	$1,876
Average risk loans	$48,914

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.

There were no TDRs that occurred during the three months ended March 31, 2022. In addition, there were no TDRs that defaulted during the three months ended March 31, 2022, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:	December 31, 2022
Accrual status:	
Real estate mortgage	$2,303
Production and intermediate-term	185
Other	302
Total TDRs in accrual status	$2,790
Nonaccrual status:	
Real estate mortgage	$643
Production and intermediate-term	72
Other	2
Total TDRs in nonaccrual status	$717
Total TDRs:	
Real estate mortgage	$2,946
Production and intermediate-term	257
Other	304
Total TDRs	$3,507

Note: Accruing loans include accrued interest receivable.

NOTE 3: 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 4: 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	**$ --**	**$ --**	**$18,053**	**$18,053**
Acquired property	**--**	**--**	**1,540**	**1,540**

As of December 31, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Loans	$ --	$ --	$8,300	$8,300
Acquired property	--	--	4,744	4,744

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.

Acquired Property: 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 5: SUBSEQUENT EVENTS

We have evaluated subsequent events through May 9, 2023, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.