Farm Credit of Western Oklahoma, ACA

Quarterly Report
March 31, 2022

The shareholders' investment in Farm Credit of Western Oklahoma, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2021 CoBank Annual Report to Shareholders and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's web site, **www.cobank.com**, or may be obtained at no charge by contacting us at Farm Credit of Western Oklahoma, ACA, 3302 Williams Avenue, Woodward, Oklahoma 73801, or by calling 580-256-3465 or toll free 1-800-299-3465.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Unaudited)

The following discussion summarizes the financial position and results of operations of Farm Credit of Western Oklahoma, ACA (the Association) for the three months ended March 31, 2022, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2021 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

Loan demand has been moderate and commodity prices have strengthened substantially during 2022. Most of our lending territory is experiencing elevated drought conditions at this time with impacts to the current growing winter wheat crop, as well as subsoil moisture conditions adversely affecting the outlook for spring planting. USDA rates the majority of soil moisture conditions across the state of Oklahoma as very short to short at this time indicating the need for moisture across the state, with emphasis on the western half of Oklahoma. According to USDA, growing crop conditions across the state of Oklahoma are predominantly within the fair range at this time.

With the strengthening of commodity prices, opportunities for our customers to forward price grain/cattle at levels of profitability has been present, but notable increases in input prices and continued disruptions in various supply chains are impacting operations. This stress and uncertainty is leading to higher input costs across the agricultural industry. The financial strength that part time farmers have relied upon from off farm income diversification has been under pressure recently due to COVID-19. However, improvements are being made in the economy and the unemployment rate has continued to improve over the last few months.

The broader economy and marketplace continues to transition into another phase of the COVID-19 pandemic environment, accompanied by concerns related to the war in Ukraine. As the COVID-19 pandemic subsides and issues related to the war increase, the U.S. economy remains healthy and continues to be driven by strong consumer spending. While higher consumer demand is beneficial to businesses, severe supply chain disruptions, labor shortages and the high cost of fuel are adding significant costs to business operations and these costs are likely to be passed on to the consumer. Business operating costs are still rising faster than consumer prices, so elevated inflation is a concern in 2022. From a monetary policy perspective, the Fed has announced plans to increase rates multiple times in 2022, with the first interest rate increase of 25 basis points in March 2022. Anticipation of tighter monetary policy is contributing to a stronger dollar and changes in the shape of the yield curve.

With the current economic stress affecting America, the uncertainty of continued strength in the value of agricultural real estate is an economic concern to the agricultural industry; however, average real estate values in Oklahoma continue to show signs of improvement. USDA National Agricultural Statistics indicate that Oklahoma farm real estate values increased by 6.88% in 2021, however the continuation of Oklahoma real estate appreciation remains in question given the other factors previously mentioned. Future land value studies will indicate to what level the current stress in the agricultural economy is influencing land values across the region. Although concern over the rural economic environment persists, significant equities exist across our customer base and opportunities for profitability remain. Solid financial managers continue to have the upper hand and strong financial management is expected from our customer base as they work to increase profitability and strengthen liquidity.

On October 28, 2021, the boards of directors of Farm Credit of Western Oklahoma, ACA and Farm Credit of Enid, ACA approved a letter of intent to pursue a merger. The planned merger is subject to the approval of the Farm Credit Administration, CoBank and stockholder approval of both Farm Credit of Western Oklahoma, ACA and Farm Credit of Enid, ACA. Detailed disclosure packages, including voting ballots, will be mailed out to all stockholders in the coming months in order for stockholders to cast their votes. Stockholder meetings will be held to provide stockholders with an opportunity to have their questions answered regarding the merger. If approved, the target date for the merger to become effective is October 1, 2022.

LOAN PORTFOLIO

Loans outstanding at March 31, 2022, totaled $1.30 billion, a decrease of $19.6 million, or 1.51%, from loans at December 31, 2021. The decrease was primarily due to a reduction in production and intermediate term loans which were impacted by seasonal repayments of operating lines of credit and reduced loan demand.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2022, was $7.4 million, an increase of $3.9 million, or 114.50%, from the same period ended one year ago. The increase was primarily due to equity positioning income from CoBank which was the result of implementing a pro-rata equity investment strategy for our excess loanable funds. Also contributing to the increase in Net Income was net interest income which increased due to increased loan volume, in addition to an increase in the credit loss reversal as well as an increase in patronage distributions from our funding bank, CoBank.

For the three months ended March 31, 2022, net interest income was $8.9 million, an increase of $541 thousand, or 6.45%, compared with the three months ended March 31, 2021. Net interest income increased as a result of increased loan volume, offset in part by a reduction in interest rate spread.

The credit loss reversal for the three months ended March 31, 2022, was $14 thousand, a decrease of $249 thousand from the provision for credit losses for the same period ended one year ago. The credit loss reversal was the result of a reduction in the risk profile of certain loans.

Noninterest income increased $3.4 million during the first three months of 2022 compared with the first three months of 2021 primarily due to equity positioning income from CoBank which was the result of implementing a pro-rata equity investment strategy for our excess loanable funds. Patronage distribution from Farm Credit institutions increased in the first three months ended March 31, 2022, compared with the first three months in 2021 primarily due to an increase in CoBank patronage related to our direct note payable to CoBank, which increased in the first quarter of 2022 compared to the first quarter of 2021.

Mineral income of $224 thousand was recognized during the first three months of 2022. Of this amount, $221 thousand was received from CoBank. The increase for the three months ended March 31, 2022, compared with first three months of 2021 is reflective of the higher oil and gas commodity prices paid on production during the period.

During the first three months of 2022, noninterest expense increased $227 thousand to $6.2 million, primarily due to advertising and public member relations expense increases year over year, increased costs from our service provider, AgVantis, and increased occupancy and equipment costs.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2022, was $248.7 million, an increase from $241.3 million at December 31, 2021. This increase is due to net income, net stock issuances and the amortization of pension costs included in the net periodic benefit cost.

OTHER MATTERS

On December 8, 2021, the FCA issued an informational memorandum to provide additional guidance to Farm Credit System institutions on their transition away from LIBOR. The guidance encourages Farm Credit System institutions to stop entering into new contracts that reference LIBOR as soon as practicable and in any event no later than December 31, 2021. Entering into new LIBOR-referenced contracts after that date would present safety and soundness risk. The guidance also provides clarity on what the FCA considers a new LIBOR-indexed contract; whether purchases of legacy LIBOR-indexed loans and investments are deemed new contracts; limited exceptions for entering into new LIBOR contracts that reduce or hedge risk in legacy LIBOR contracts; and the due diligence and other procedures required before using other benchmark/reference rate alternatives to LIBOR (beyond SOFR), including credit-sensitive alternative rates.

On March 15, 2022, the U.S. government passed the Consolidated Appropriations Act of 2022, which includes federal legislation regarding the LIBOR transition. The legislation provides a statutory fallback mechanism to replace LIBOR with a benchmark rate, selected by the Federal Reserve Board and based on SOFR, for certain contracts that reference LIBOR and contain no or insufficient fallback provisions. The law also provides a safe harbor for parties who select the statutory benchmark replacement rate.

While our Association currently holds legacy LIBOR indexed loans in our portfolio, we have adopted a transition plan to reduce LIBOR exposures and stop the inflow of new LIBOR volume. We have analyzed potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. Since we engage in transactions involving financial instruments that reference LIBOR, these developments did not have a material impact on the Association and our borrowers. Management has documented and worked through the LIBOR transition plan with our funding bank and service provider to address the phase out of LIBOR rates, including any updates to processes and loan servicing technology.

The undersigned certify they have reviewed this report, this report has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief.

John Grunewald
President/CEO
May 3, 2022

Jamey B. Mitchell
CFO
May 3, 2022

Kenton Javorsky
Chairman of the Board
May 3, 2022

Consolidated Statement of Condition

(Dollars in Thousands)

	March 31 2022 UNAUDITED	December 31 2021 AUDITED
ASSETS		
Loans	**$ 1,276,929**	$ 1,296,546
Less allowance for loan losses	**1,859**	1,822
Net loans	**1,275,070**	1,294,724
Cash	**2,049**	8,824
Accrued interest receivable	**19,600**	17,865
Investment in CoBank, ACB	**36,918**	39,139
Premises and equipment, net	**6,982**	6,844
Prepaid benefit expense	**7,636**	7,086
Other assets	**4,227**	8,270
Total assets	**$ 1,352,482**	$ 1,382,752
LIABILITIES		
Note payable to CoBank, ACB	**$ 1,075,955**	$ 1,107,801
Advance conditional payments	**20,798**	14,164
Accrued interest payable	**1,404**	1,478
Patronage distributions payable	**-**	5,700
Accrued benefits liability	**663**	650
Reserve for unfunded commitments	**549**	545
Other liabilities	**4,392**	11,069
Total liabilities	**1,103,761**	1,141,407
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**2,435**	2,433
Additional paid-in capital	**81,946**	81,946
Unallocated retained earnings	**164,513**	157,147
Accumulated other comprehensive loss	**(173)**	(181)
Total shareholders' equity	**248,721**	241,345
Total liabilities and shareholders' equity	**$ 1,352,482**	$ 1,382,752

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

	For the three months ended March 31	
UNAUDITED	**2022**	2021
INTEREST INCOME		
Loans	**$ 12,915**	$ 12,233
Total interest income	**12,915**	12,233
INTEREST EXPENSE		
Note payable to CoBank, ACB	**3,970**	3,830
Other	**11**	10
Total interest expense	**3,981**	3,840
Net interest income	**8,934**	8,393
(Credit loss reversal)/Provision for credit losses	**(14)**	235
Net interest income after credit loss reversal/provision for credit losses	**8,948**	8,158
NONINTEREST INCOME		
Financially related services income	**2**	2
Loan fees	**45**	5
Patronage distribution from Farm Credit institutions	**1,349**	982
Mineral income	**224**	104
Equity positioning income from CoBank	**2,844**	-
Other noninterest income	**115**	117
Total noninterest income	**4,579**	1,210
NONINTEREST EXPENSE		
Salaries and employee benefits	**2,900**	2,916
Occupancy and equipment	**249**	189
Purchased services from AgVantis, Inc.	**863**	777
Farm Credit Insurance Fund premium	**385**	357
Merger related costs	**35**	167
Supervisory and examination costs	**100**	110
Other noninterest expense	**1,629**	1,418
Total noninterest expense	**6,161**	5,934
Net income	**7,366**	3,434
COMPREHENSIVE INCOME		
Amortization of retirement costs	**8**	17
Total comprehensive income	**$ 7,374**	$ 3,451

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Protected Borrower Stock	Capital Stock	Additional Paid-In Capital	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2020	$ -	$ 2,058	$ 33,619	$ 141,994	$ (317)	$ 177,354
Comprehensive income				3,434	17	3,451
Stock issued		64				64
Stock retired	(10)	(72)				(82)
Equity issued in connection with merger	10	343	48,327			48,680
Balance at March 31, 2021	$ -	$ 2,393	$ 81,946	$ 145,428	$ (300)	$ 229,467
Balance at December 31, 2021	$ -	$ 2,433	$ 81,946	$ 157,147	$ (181)	$ 241,345
Comprehensive income				7,366	8	7,374
Stock issued		49				49
Stock retired	-	(47)				(47)
Balance at March 31, 2022	**$ -**	**$ 2,435**	**$ 81,946**	**$ 164,513**	**$ (173)**	**$ 248,721**

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

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Farm Credit of Western Oklahoma, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2021, are contained in the 2021 Annual Report to Shareholders. These unaudited first quarter 2022 financial statements should be read in conjunction with the 2021 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2021, as contained in the 2021 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2022. Descriptions of the significant accounting policies are included in the 2021 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted or Issued Accounting Pronouncements

In June 2016, the FASB issued guidance entitled “Measurement of Credit Losses on Financial Instruments.” The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB approved deferral of the effective date for certain entities for this guidance by two years, which will result in the new credit loss standard becoming effective for interim and annual reporting periods beginning after December 15, 2022 with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association’s financial condition and its results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

(dollars in thousands)	**March 31, 2022**	December 31, 2021
Real estate mortgage	$ 889,272	$ 887,949
Production and intermediate-term	304,991	332,191
Agribusiness	60,700	60,643
Rural infrastructure	12,871	11,963
Rural residential real estate	1,095	1,800
Agricultural export finance	8,000	2,000
Total loans	$ 1,276,929	$ 1,296,546

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 2022:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
(dollars in thousands)	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 50,180	$ 13,863	$ 94,437	$ -	$ 144,617	$ 13,863
Production and intermediate-term	33,125	5,527	-	-	33,125	5,527
Agribusiness	21,990	4,925	-	-	21,990	4,925
Rural infrastructure	12,871	-	-	-	12,871	-
Agricultural export finance	8,000	-	-	-	8,000	-
Total	$ 126,166	$ 24,315	$ 94,437	$ -	$ 220,603	$ 24,315

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality.
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness.
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan.
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable.
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2022	December 31, 2021
Real estate mortgage		
Acceptable	**96.09%**	95.92%
OAEM	**2.53%**	2.69%
Substandard	**1.38%**	1.39%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**94.08%**	94.36%
OAEM	**4.56%**	4.57%
Substandard	**1.36%**	1.07%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**99.89%**	99.93%
OAEM	**0.11%**	0.07%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Rural residential real estate		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Agricultural export finance		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**95.85%**	95.75%
OAEM	**2.86%**	3.02%
Substandard	**1.29%**	1.23%
Total	**100.00%**	100.00%

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) are as follows:

(dollars in thousands)	**March 31, 2022**	December 31, 2021
Nonaccrual loans		
Real estate mortgage	**$ 9,303**	$ 4,703
Production and intermediate-term	**1,021**	198
Total nonaccrual loans	**$ 10,324**	$ 4,901
Accruing restructured loans		
Real estate mortgage	**$ 155**	$ 157
Total accruing restructured loans	**$ 155**	$ 157
Total impaired loans	**$ 10,479**	$ 5,058

The Association had no accruing loans 90 days past due and no other property owned for the periods presented.

Additional impaired loan information is as follows:

(dollars in thousands)	**March 31, 2022**			December 31, 2021		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	**$ 9,458**	**$ 9,373**		$ 4,860	$ 4,935	
Production and intermediate-term	**1,021**	**2,448**		198	1,861	
Total Impaired Loans:	**$ 10,479**	**$ 11,821**		$ 5,058	$ 6,796	

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

(dollars in thousands)	**For the Three Months Ended March 31, 2022**		For the Three Months Ended March 31, 2021	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 6,799**	**$ 1**	$ 1,709	$ -
Production and intermediate-term	**547**	**158**	369	-
Total Impaired Loans	**$ 7,346**	**$ 159**	$ 2,078	$ -

The following tables provide an age analysis of past due loans (including accrued interest).

(dollars in thousands)	**March 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	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 2,274	$ 4,286	$ 6,560	$ 896,605	$ 903,165	$ -
Production and intermediate-term	454	124	578	309,793	310,371	-
Agribusiness	-	-	-	61,001	61,001	-
Rural infrastructure	-	-	-	12,886	12,886	-
Rural residential real estate	-	-	-	1,102	1,102	-
Agricultural export finance	-	-	-	8,004	8,004	-
Total	$ 2,728	$ 4,410	$ 7,138	$ 1,289,391	$ 1,296,529	$ -

	December 31, 2021					
(dollars in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 55	$ 4,283	$ 4,338	$ 896,591	$ 900,929	$ -
Production and intermediate-term	6	128	134	336,651	336,785	-
Agribusiness	-	-	-	60,893	60,893	-
Rural infrastructure	-	-	-	11,995	11,995	-
Rural residential real estate	-	-	-	1,806	1,806	-
Agricultural export finance	-	-	-	2,003	2,003	-
Total	$ 61	$ 4,411	$ 4,472	$ 1,309,939	$ 1,314,411	$ -

A summary of changes in the allowance for loan losses is as follows:

(dollars in thousands)	Balance at December 31, 2021	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2022
Real estate mortgage	$ 514	$ -	$ -	$ 8	$ 522
Production and intermediate-term	1,164	-	55	(83)	1,136
Agribusiness	116	-	-	65	181
Rural infrastructure	21	-	-	(3)	18
Rural residential real estate	6	-	-	(5)	1
Agricultural export finance	1	-	-	-	1
Total	$ 1,822	$ -	$ 55	$ (18)	$ 1,859

(dollars in thousands)	Balance at December 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2021
Real estate mortgage	$ 423	$ -	$ -	$ 87	$ 510
Production and intermediate-term	1,359	-	5	98	1,462
Agribusiness	43	-	-	12	55
Rural infrastructure	1	-	-	13	14
Rural residential real estate	1	-	-	1	2
Total	$ 1,827	$ -	$ 5	$ 211	$ 2,043

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Association's Consolidated Statement of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive Income, along with the provision for loan losses.

A summary of changes in the reserve for unfunded commitments follows:

(dollars in thousands)	For the Three Months Ended March 31	
	2022	2021
Balance at beginning of period	**$ 545**	$ 518
Provision for reserve for unfunded commitment	**4**	24
Total	**$ 549**	$ 542

Additional information on the allowance for loan losses follows:

	Allowance for Loan Losses Ending Balance at March 31, 2022		Recorded Investments in Loans Outstanding Ending Balance at March 31, 2022	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 522	$ 9,458	$ 893,707
Production and intermediate-term	-	1,136	1,021	309,350
Agribusiness	-	181	-	61,001
Rural infrastructure	-	18	-	12,886
Rural residential real estate	-	1	-	1,102
Agricultural export finance	-	1	-	8,004
Total	$ -	$ 1,859	$ 10,479	$ 1,286,050

	Allowance for Loan Losses Ending Balance at December 31, 2021		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2021	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 514	$ 4,860	$ 896,069
Production and intermediate-term	-	1,164	198	336,587
Agribusiness	-	116	-	60,893
Rural infrastructure	-	21	-	11,995
Rural residential real estate	-	6	-	1,806
Agricultural export finance	-	1	-	2,003
Total	$ -	$ 1,822	$ 5,058	$ 1,309,353

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor, for economic or legal reasons related to the debtor’s financial difficulties, grants a concession to the debtor that it would not otherwise consider.

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

	For the Three Months Ended			
	March 31, 2022		March 31, 2021	
(dollars in thousands)	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:				
Real estate mortgage	$ 3,422	$ 3,422	$ -	$ -
Production and intermediate-term	852	852	-	-
Total	$ 4,274	$ 4,274	$ -	$ -

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

The Association had no TDRs within the previous 12 months and for which there were subsequent payment defaults during the first three months of 2022 and 2021. There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring at March 31, 2022 and December 31, 2021. The TDRs that have occurred during 2022 are the result of payment deferrals on a customer whose loans are in nonaccrual status.

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

	Loans modified as TDRs		TDRs in Nonaccrual Status*	
(dollars in thousands)	**March 31, 2022**	December 31, 2021	**March 31, 2022**	December 31, 2021
Real estate mortgage	**$ 3,455**	$ 157	**$ 3,300**	$ -
Production and intermediate-term	**824**	-	**824**	-
Total	**$ 4,279**	$ 157	**$ 4,124**	$ -

* Represents the portion of loans modified as TDRs (first column) that are in nonaccrual status.

NOTE 3 - CAPITAL

A summary of select capital ratios based on a three-month average and minimums set by the Farm Credit Administration follows.

	As of March 31, 2022	As of December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	16.86%	16.76%	4.5%	2.5%	7.0%
Tier 1 capital ratio	16.86%	16.76%	6.0%	2.5%	8.5%
Total capital ratio	17.06%	16.97%	8.0%	2.5%	10.5%
Permanent capital ratio	16.89%	16.79%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	15.52%	15.51%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	15.34%	16.99%	1.5%	-	1.5%

If capital ratios fall below the regulatory minimum plus buffer amounts, capital distributions (equity redemptions, cash dividend payments, and cash patronage payments) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

The following tables present the activity in the accumulated other comprehensive income/loss, net of tax by component:

(dollars in thousands)	For the Three Months Ended March 31 **2022**	2021
Pension and other benefit plans:		
Beginning balance	**$ (181)**	$ (317)
Amounts reclassified from accumulated other comprehensive income/loss	**8**	17
Net current period other comprehensive income/(loss)	**8**	17
Ending balance	**$ (173)**	$ (300)

The following table represents reclassifications out of accumulated other comprehensive income/loss.

(dollars in thousands)	Amount Reclassified from Accumulated Other Comprehensive Income/Loss For the Three Months Ended March 31 **2022**	2021	Location of Gain/Loss Recognized in Statement of Income
Pension and other benefit plans:			
Net actuarial loss	**$ 8**	$ 17	Salaries and employee benefits
Total reclassifications	**$ 8**	$ 17	

NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 of the 2021 Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement Using			
(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets held in nonqualified benefits trusts				
March 31, 2022	**$ 1,169**	**$ -**	**$ -**	**$ 1,169**
December 31, 2021	$ 1,062	$ -	$ -	$ 1,062

The Association had no liabilities measured at fair value on a recurring basis at March 31, 2022 or December 31, 2021. The Association had no assets or liabilities measured at fair value on a non-recurring basis at March 31, 2022 or December 31, 2021.

Valuation Techniques

As more fully discussed in Note 2 of the 2021 Annual Report to Shareholders, accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Assets Held in Non-Qualified Benefits Trusts

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

Loans Evaluated for Impairment

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

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 3, 2022 which is the date the financial statements were issued, and no material subsequent events were identified.