Farm Credit of Western Oklahoma, ACA

Quarterly Report
September 30, 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 nine months ended September 30, 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 significant levels of drought with impacts to both fall yields as well as planting conditions. USDA rates most soil moisture conditions across the state of Oklahoma as short to very short, emphasizing the need for moisture throughout Oklahoma. According to USDA, growing crop conditions across the state of Oklahoma are predominantly poor at the present time.

With the strengthening of commodity prices, opportunities for our customers to forward price grain/cattle at strong levels of profitability has been present, but notable increases in input prices and continued disruptions in various supply chains continue to impact agricultural operations. This stress and uncertainty, amplified by rising inflation, is leading to profit margin compression with notable increases to the cost of production, offset in part by low unemployment, strong demand for off-farm labor, and income diversification opportunities.

While the U.S. economy remains healthy, severe supply chain disruptions, labor shortages, fuel prices, inflation, weather related events and recession pressures remain a concern. The rural economy is benefitting from the strong U.S. economy, driving higher levels of spending and investment by businesses and consumers. Most agricultural commodity prices have increased sharply thus far in 2022 and remained highly volatile. The Russia/Ukraine conflict has also impacted certain agricultural commodity prices and created additional volatility and uncertainty in the markets. From a monetary policy perspective, the Fed has increased rates multiple times in 2022, with the first interest rate increase of 25 basis points in March 2022, 50 basis points in May 2022, 75 basis points in June 2022, 75 basis points in July 2022 and 75 basis points in September 2022. Anticipation of tighter monetary policy is contributing to a stronger dollar and changes in the shape of the yield curve.

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 remain across our customer base and opportunities for strong profitability exist. 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. CoBank granted approval of the merger and a conditional approval from the Farm Credit Administration was also granted. In addition, the stockholders of both Associations voted in support of the merger. The merger become effective on November 1, 2022.

LOAN PORTFOLIO

Loans outstanding at September 30, 2022, totaled $1.30 billion, a decrease of $1.1 million, or 0.08%, from loans of $1.30 billion 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 nine months ended September 30, 2022, was $16.1 million, a decrease of $592 thousand, or 3.54%, from the same period ended one year ago. The decrease was primarily due to a decrease in credit loss reversal, offset by an increase in equity positioning income from CoBank.

For the nine months ended September 30, 2022, net interest income was $26.2 million, an increase of $168 thousand, or 0.65%, compared with the nine months ended September 30, 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 nine months ended September 30, 2022, was $163 thousand, a decrease of $2.6 million, or 94.05%, from the credit loss reversal for the same period ended one year ago. The credit loss reversal decreased due to a large recovery received in April of 2021 on a previously charged off loan.

Noninterest income increased $3.5 million during the first nine months of 2022 compared with the first nine months of 2021 primarily due to equity positioning income from CoBank which was the result of implementing a pro-rata equity strategy for our excess loanable funds. Patronage distribution from Farm Credit institutions increased in the first nine months ended September 30, 2022, compared with the first nine months in 2021 primarily due to an increase in CoBank patronage related to our direct note payable to CoBank.

Mineral income of $819 thousand was recognized during the first nine months of 2022. Of this amount, $770 thousand was received from CoBank. The increase for the nine months ended September 30, 2022, compared with the first nine months of 2021 is reflective of the higher oil and gas commodity prices paid on production during the period and lease bonus payments received on minerals owned by the association.

During the first nine months of 2022, noninterest expense increased $1.7 million to $17.9 million, primarily due to merger related costs, salaries and employee benefits, increased cost from our service provider, AgVantis, and increased advertising and public member relations expense.

We recorded conversion fee expense of $126 thousand during the first nine months of 2021, primarily due to prepayment fees charged by CoBank related to loan conversions associated with the decrease in rates. Farm Credit System Insurance Corporation (FCSIC) premiums increased $349 thousand for the nine months ended September 30, 2022 compared with the same period in 2021 due to an increase in the insurance premium accrual assessment rate on Systemwide adjusted insured debt from 16 basis points to 20 basis points, which was retroactively applied for 2022 during the second quarter. This increase was also impacted by an increase in year-to-date average loan volume.

CAPITAL RESOURCES

Our shareholders' equity at September 30, 2022, was $257.5 million, an increase from $241.3 million at December 31, 2021. This increase is due to net income and the amortization of pension costs included in the net periodic benefit cost and further increased by net stock additions.

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	Jamey B. Mitchell	Kenton Javorsky
President/CEO	CFO	Chairman of the Board
November 4, 2022	November 4, 2022	November 4, 2022

Consolidated Statement of Condition

(Dollars in Thousands)

	September 30 2022 UNAUDITED	December 31 2021 AUDITED
ASSETS		
Loans	**$ 1,295,473**	$ 1,296,546
Less allowance for loan losses	**1,576**	1,822
Net loans	**1,293,897**	1,294,724
Cash	**2,321**	8,824
Accrued interest receivable	**22,425**	17,865
Investment in CoBank, ACB	**36,919**	39,139
Premises and equipment, net	**7,334**	6,844
Prepaid benefit expense	**8,734**	7,086
Other assets	**6,359**	8,270
Total assets	**$ 1,377,989**	$ 1,382,752
LIABILITIES		
Note payable to CoBank, ACB	**$ 1,088,441**	$ 1,107,801
Advance conditional payments	**23,027**	14,164
Accrued interest payable	**1,974**	1,478
Patronage distributions payable	**-**	5,700
Accrued benefits liability	**703**	650
Reserve for unfunded commitments	**683**	545
Other liabilities	**5,655**	11,069
Total liabilities	**1,120,483**	1,141,407
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**2,439**	2,433
Additional paid-in capital	**81,946**	81,946
Unallocated retained earnings	**173,277**	157,147
Accumulated other comprehensive income/(loss)	**(156)**	(181)
Total shareholders' equity	**257,506**	241,345
Total liabilities and shareholders' equity	**$ 1,377,989**	$ 1,382,752

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

UNAUDITED	For the three months ended September 30 **2022**	2021	For the nine months ended September 30 **2022**	2021
INTEREST INCOME				
Loans	**$ 14,075**	$ 12,605	**$ 39,643**	$ 37,498
Total interest income	**14,075**	12,605	**39,643**	37,498
INTEREST EXPENSE				
Note payable to CoBank, ACB	**5,391**	3,949	**13,398**	11,453
Other	**38**	10	**63**	31
Total interest expense	**5,429**	3,959	**13,461**	11,484
Net interest income	**8,646**	8,646	**26,182**	26,014
(Credit loss reversal)/Provision for credit losses	**(58)**	83	**(163)**	(2,738)
Net interest income after credit loss reversal/Provision for credit losses	**8,704**	8,563	**26,345**	28,752
NONINTEREST INCOME				
Financially related services income	**1**	2	**4**	5
Loan fees	**57**	31	**146**	58
Patronage distribution from Farm Credit institutions	**1,204**	1,168	**3,745**	3,438
Mineral income	**363**	217	**819**	484
Equity positioning income from CoBank	**-**	-	**2,844**	-
Other noninterest income	**17**	74	**151**	225
Total noninterest income	**1,642**	1,492	**7,709**	4,210
NONINTEREST EXPENSE				
Salaries and employee benefits	**2,917**	2,776	**8,499**	8,194
Occupancy and equipment	**255**	222	**691**	665
Purchased services from AgVantis, Inc.	**863**	777	**2,590**	2,331
Farm Credit Insurance Fund premium	**466**	360	**1,413**	1,064
Merger related costs	**201**	-	**537**	167
Supervisory and examination costs	**100**	89	**299**	308
Prepayment expense	**-**	(1)	**-**	126
Other noninterest expense	**1,158**	1,035	**3,895**	3,385
Total noninterest expense	**5,960**	5,258	**17,924**	16,240
Net income	**4,386**	4,797	**16,130**	16,722
COMPREHENSIVE INCOME				
Amortization of retirement costs	**9**	17	**25**	50
Total comprehensive income	**$ 4,395**	$ 4,814	**$ 16,155**	$ 16,772

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				16,722	50	16,772
Stock issued		234				234
Stock retired	(10)	(202)				(212)
Equity issued in connection with merger	10	343	48,327			48,680
Balance at September 30, 2021	$ -	$ 2,433	$ 81,946	$ 158,716	$ (267)	$ 242,828
Balance at December 31, 2021	$ -	$ 2,433	$ 81,946	$ 157,147	$ (181)	$ 241,345
Comprehensive income				16,130	25	16,155
Stock issued		154				154
Stock retired	-	(148)				(148)
Balance at September 30, 2022	**$ -**	**$ 2,439**	**$ 81,946**	**$ 173,277**	**$ (156)**	**$ 257,506**

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

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 single allowance framework for financial assets carried at amortized cost, which reflects management’s estimate of expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to held-to-maturity securities, and depending on the situation, 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, including this Association, this guidance becomes effective for interim and annual reporting periods beginning after December 15, 2022. We continue to test and refine our current expected loss models.

The Association intends to estimate losses over a 12-month forecast period using a range of macroeconomic variables and then revert to the Association’s historical loss experience over an extended period of time**.** The Association continues to evaluate the impact of adoption on its financial condition and results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows.

(dollars in thousands)	**September 30, 2022**	December 31, 2021
Real estate mortgage	$ 903,562	$ 887,949
Production and intermediate-term	313,885	332,191
Agribusiness	55,025	60,643
Rural infrastructure	19,497	11,963
Rural residential real estate	1,508	1,800
Agricultural export finance	1,996	2,000
Total loans	$ 1,295,473	$ 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 September 30, 2022:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
(dollars in thousands)	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 49,051	$ 7,495	$ 90,073	$ -	$ 139,124	$ 7,495
Production and intermediate-term	35,076	7,016	-	-	35,076	7,016
Agribusiness	25,609	4,004	-	-	25,609	4,004
Rural infrastructure	19,497	-	-	-	19,497	-
Agricultural export finance	1,996	-	-	-	1,996	-
Total	$ 131,229	$ 18,515	$ 90,073	$ -	$ 221,302	$ 18,515

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:

	September 30, 2022	December 31, 2021
Real estate mortgage		
Acceptable	**96.29%**	95.92%
OAEM	**2.28%**	2.69%
Substandard	**1.43%**	1.39%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**96.04%**	94.36%
OAEM	**2.98%**	4.57%
Substandard	**0.98%**	1.07%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**99.99%**	99.93%
OAEM	**0.01%**	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	**96.45%**	95.75%
OAEM	**2.31%**	3.02%
Substandard	**1.24%**	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)	**September 30, 2022**	December 31, 2021
Nonaccrual loans		
Real estate mortgage	**$ 9,969**	$ 4,703
Production and intermediate-term	**132**	198
Total nonaccrual loans	**$ 10,101**	$ 4,901
Accruing restructured loans		
Real estate mortgage	**$ -**	$ 157
Total accruing restructured loans	**$ -**	$ 157
Accruing loans 90 days past due		
Real estate mortgage	**$ 110**	$ -
Total accruing loans 90 days past due	**$ 110**	$ -
Total impaired loans	**$ 10,211**	$ 5,058

The Association had no other property owned for the periods presented.

Additional impaired loan information is as follows:

	September 30, 2022			December 31, 2021		
(dollars in thousands)	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a related allowance for loan losses:						
Production and intermediate-term	**$ 21**	**$ 22**	**$ 10**	$ -	$ -	$ -
Total	**$ 21**	**$ 22**	**$ 10**	$ -	$ -	$ -
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	**$ 10,079**	**$ 10,076**		$ 4,860	$ 4,935	
Production and intermediate-term	**111**	**1,559**		198	1,861	
Total	**$ 10,190**	**$ 11,635**		$ 5,058	$ 6,796	
Total impaired loans:						
Real estate mortgage	**$ 10,079**	**$ 10,076**	**$ -**	$ 4,860	$ 4,935	$ -
Production and intermediate-term	**132**	**1,581**	**10**	198	1,861	-
Total	**$ 10,211**	**$ 11,657**	**$ 10**	$ 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 loan receivable.

	For the Three Months Ended September 30, 2022		For the Three Months Ended September 30, 2021	
(dollars in thousands)	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:				
Production and intermediate-term	**$ 21**	**$ -**	$ 369	$ -
Total	**$ 21**	**$ -**	$ 369	$ -
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 9,700**	**$ 26**	$ 5,708	$ 3
Production and intermediate-term	**763**	**27**	288	$ -
Total	**$ 10,463**	**$ 53**	$ 5,996	$ 3
Total impaired loans:				
Real estate mortgage	**$ 9,700**	**$ 26**	$ 5,708	$ 3
Production and intermediate-term	**784**	**27**	657	-
Total	**$ 10,484**	**$ 53**	$ 6,365	$ 3

(dollars in thousands)	**For the Nine Months Ended September 30, 2022** Average Impaired Loans	**For the Nine Months Ended September 30, 2022** Interest Income Recognized	For the Nine Months Ended September 30, 2021 Average Impaired Loans	For the Nine Months Ended September 30, 2021 Interest Income Recognized
Impaired loans with a related allowance for loan losses:				
Production and intermediate-term	**$ 7**	**$ -**	$ 134	$ -
Total	**$ 7**	**$ -**	$ 134	$ -
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 8,700**	**$ 30**	$ 3,407	$ 35
Production and intermediate-term	**823**	**196**	373	$ 4
Total	**$ 9,523**	**$ 226**	$ 3,780	$ 39
Total impaired loans:				
Real estate mortgage	**$ 8,700**	**$ 30**	$ 3,407	$ 35
Production and intermediate-term	**830**	**196**	507	4
Total	**$ 9,530**	**$ 226**	$ 3,914	$ 39

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

	September 30, 2022					
(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	$ 475	$ 4,420	$ 4,895	$ 914,481	$ 919,376	$ 110
Production and intermediate-term	13	110	123	319,965	320,088	-
Agribusiness	-	-	-	55,381	55,381	-
Rural infrastructure	-	-	-	19,530	19,530	-
Rural residential real estate	-	-	-	1,515	1,515	-
Agricultural export finance	-	-	-	2,008	2,008	-
Total	$ 488	$ 4,530	$ 5,018	$ 1,312,880	$ 1,317,898	$ 110

	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 June 30, 2022	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2022
Real estate mortgage	$ 498	$ -	$ -	$ (14)	$ 484
Production and intermediate-term	957	-	-	(43)	914
Agribusiness	135	-	-	10	145
Rural infrastructure	21	-	-	10	31
Rural residential real estate	2	-	-	(1)	1
Agricultural export finance	1	-	-	-	1
Total	$ 1,614	$ -	$ -	$ (38)	$ 1,576

(dollars in thousands)	Balance at December 31, 2021	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2022
Real estate mortgage	$ 514	$ -	$ -	$ (30)	$ 484
Production and intermediate-term	1,164	-	55	(305)	914
Agribusiness	116	-	-	29	145
Rural infrastructure	21	-	-	10	31
Rural residential real estate	6	-	-	(5)	1
Agricultural export finance	1	-	-	-	1
Total	$ 1,822	$ -	$ 55	$ (301)	$ 1,576

(dollars in thousands)	Balance at June 30, 2021	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2021
Real estate mortgage	$ 537	$ -	$ -	$ 32	$ 569
Production and intermediate-term	1,272	-	5	(65)	1,212
Agribusiness	32	-	-	104	136
Rural infrastructure	15	-	-	10	25
Rural residential real estate	1	-	-	3	4
Agricultural export finance	1	-	-	-	1
Total	$ 1,858	$ -	$ 5	$ 84	$ 1,947

(dollars in thousands)	Balance at December 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at September 30, 2021
Real estate mortgage	$ 423	$ -	$ -	$ 146	$ 569
Production and intermediate-term	1,359	-	2,928	(3,075)	1,212
Agribusiness	43	-	-	93	136
Rural infrastructure	1	-	-	24	25
Rural residential real estate	1	-	-	3	4
Agricultural export finance	-	-	-	1	1
Total	$ 1,827	$ -	$ 2,928	$ (2,808)	$ 1,947

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:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
(dollars in thousands)	**2022**	2021	**2022**	2021
Balance at beginning of period	**$ 703**	$ 589	**$ 545**	$ 518
(Reversal of)/Provision for reserve for unfunded commitment	**(20)**	(1)	**138**	70
Total	**$ 683**	$ 588	**$ 683**	$ 588

Additional information on the allowance for loan losses follows:

	Allowance for Loan Losses Ending Balance at September 30, 2022		Recorded Investments in Loans Outstanding Ending Balance at September 30, 2022	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 484	$ 10,079	$ 909,297
Production and intermediate-term	10	903	132	319,956
Agribusiness	-	145	-	55,381
Rural infrastructure	-	31	-	19,530
Mission-related	-	1	-	1,515
Agricultural export finance	-	1	-	2,008
Total	$ 10	$ 1,566	$ 10,211	$ 1,307,687

	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 Nine Months Ended			
	September 30, 2022		September 30, 2021	
	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*	Pre-modification Outstanding Recorded Investment*	Post-modification Outstanding Recorded Investment*
Troubled debt restructurings:				
Real estate mortgage	$ 4,086	$ 4,086	$ -	$ -
Total	$ 4,086	$ 4,086	$ -	$ -

* 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 nine months of 2022 and 2021. There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring at September 30, 2022 and December 31, 2021. There were no loans modified as part of a troubled debt restructurings during the three-month period ended September 30, 2022 or September 30, 2021. The TDR's 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)	**September 30, 2022**	December 31, 2021	**September 30, 2022**	December 31, 2021
Real estate mortgage	**$ 3,765**	$ 157	**$ 3,765**	$ -
Total	**$ 3,765**	$ 157	**$ 3,765**	$ -

* 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 September 30, 2022	As of December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	17.58%	16.76%	4.5%	2.5%	7.0%
Tier 1 capital ratio	17.58%	16.76%	6.0%	2.5%	8.5%
Total capital ratio	17.77%	16.97%	8.0%	2.5%	10.5%
Permanent capital ratio	17.60%	16.79%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	16.34%	15.51%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	16.16%	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 September 30		For the Nine Months Ended September 30	
	2022	2021	**2022**	2021
Pension and other benefit plans:				
Beginning balance	**$ (165)**	$ (284)	**$ (181)**	$ (317)
Amounts reclassified from accumulated other comprehensive income/loss	**9**	17	**25**	50
Net current period other comprehensive income/(loss)	**9**	17	**25**	50
Ending balance	**$ (156)**	$ (267)	**$ (156)**	$ (267)

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 September 30		Location of Gain/Loss Recognized in Statement of Income
	2022	2021	
Pension and other benefit plans:			
Net actuarial loss	**$ 9**	$ 17	Salaries and employee benefits
Total reclassifications	**$ 9**	$ 17	

(dollars in thousands)	Amount Reclassified from Accumulated Other Comprehensive Income/Loss — For the Nine Months Ended September 30		Location of Gain/Loss Recognized in Statement of Income
	2022	2021	
Pension and other benefit plans:			
Net actuarial loss	**$ 25**	$ 50	Salaries and employee benefits
Total reclassifications	**$ 25**	$ 50	

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:

(dollars in thousands)	**Fair Value Measurement Using**			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Assets held in nonqualified benefits trusts				
September 30, 2022	**$ 1,027**	**$ -**	**$ -**	**$ 1,027**
December 31, 2021	$ 1,062	$ -	$ -	$ 1,062

The Association had no liabilities measured at fair value on a recurring basis at September 30, 2022 or December 31, 2021. The Association had no assets or liabilities measured at fair value on a non-recurring basis at September 30, 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 Association 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 November 4, 2022, which is the date the financial statements were issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to the Consolidated Financial Statements, except as noted below.

On November 1, 2022, Farm Credit of Enid, ACA merged its operations with and into Farm Credit of Western Oklahoma, ACA. The merger was accounted for under the acquisition method of accounting in accordance with the FASB Accounting Standards Codification 805 Business Combinations. As the accounting acquirer, Farm Credit of Western Oklahoma, ACA recognized the identifiable assets acquired and liabilities of Farm Credit of Enid, ACA assumed in the merger as of November 1, 2022, at their respective fair values. The fair values are based on various assumptions that management believes are reasonable utilizing information currently available.