2022

SECOND QUARTER REPORT

FARM CREDIT OF ENID, ACA

The shareholders' investment in Farm Credit of Enid, 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 website, www.cobank.com, or may be obtained at no charge by contacting us at 1605 W. Owen K. Garriott Road, Enid, Oklahoma 73703, or calling 1-800-814-6407.

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 Enid, ACA (the Association) for the six months ended June 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.

During the second quarter of 2022, the Association territory experienced dry conditions and above-average temperatures. As a result, the territory produced a below-average wheat crop. Higher production occurred in areas that received light rainfall in May of 2022. Grain commodity prices decreased during the quarter. Interest rates and crop input prices increased. Livestock prices remained strong, although grass and pond water were negatively impacted by dry weather conditions. Overall, real estate values remained high during the second quarter.

COVID-19 health and pandemic issues continue to decline across the world. Our Association operates in an environment that presents a number of opportunities and challenges. While the U.S. economy remains healthy, severe supply chain disruptions, labor shortages, fuel prices, inflation, 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 announced plans to increase 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, and 75 basis points in July 2022. Anticipation of tighter monetary policy is contributing to a stronger dollar and changes in the shape of the yield curve.

On October 28, 2021, the boards of directors of Farm Credit of Enid, ACA and Farm Credit of Western Oklahoma, 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 Enid, ACA and Farm Credit of Western Oklahoma, 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 November 1, 2022.

LOAN PORTFOLIO

Loans outstanding at June 30, 2022, totaled $257.9 million, an increase of $11.3 million, or 4.6%, from loans of $246.6 million at December 31, 2021. The increase was primarily due to new lending in the real estate and agribusiness sector during the period, partially offset by pay downs and payoffs in the portfolio.

RESULTS OF OPERATIONS

Net income for the six months ended June 30, 2022, was $3.4 million, an increase of $1.8 million, or 103.7%, from the same period ended one year ago. This increase was primarily due to an increase in net interest income and noninterest income, partially offset by an increase in noninterest expense. Additionally, during the first six months of 2022, a provision for credit losses was recorded, compared with a credit loss reversal in the first six months of 2021.

For the six months ended June 30, 2022, net interest income was $3.4 million, an increase of $150 thousand, or 4.6%, compared with the six months ended June 30, 2021. Net interest income increased as a result of increased loan interest income, partially offset by increase in note payable interest expense. This is attributed to increase in loan volume and interest rates for the periods compared.

The provision for credit losses for the six months ended June 30, 2022 was $12 thousand as a result of changes in the Association's risk portfolio. This is compared with a credit loss reversal of $584 for the same period ended one year ago. The credit loss reversal during the period ended June 30, 2021 was a result of changes in the Association's risk portfolio and an update to the default horizon factor based on recurring analysis. The default horizon is the period of time that it takes, on average, for a borrower to default on the credit obligation following a loss-causing event.

Noninterest income increased $2.4 million during the first six months of 2022 compared with the first six months of 2021 primarily due to equity positioning income from CoBank. This was a result of implementing a pro-rata investment strategy for our excess loanable funds. Patronage distribution from Farm Credit institutions increased in the first six months ended June 30, 2022, compared with the first six months in 2021 primarily due to an increase in CoBank patronage related to our direct note payable to CoBank.

We received mineral income of $92 thousand during the first six months of 2022, which is distributed to us quarterly by CoBank. The increase for the six months ended June 30, 2022, compared with first six months of 2021 is reflective of the higher oil and gas commodity prices paid on production during the period.

During the first six months of 2022, noninterest expense increased $183 thousand to $3.0 million compared with the first six months of 2021. The increase is primarily due to increase in merger related expense, purchased services from AgVantis, and Farm Credit System Insurance (FCSIC) premiums. Merger expense for the first six months of 2022 includes expenses related to IT services, attorney fees, and accounting fees related to the pending merger. During the first six months of 2022, purchased services from AgVantis increased $54 thousand compared with the first six months of 2021. FCSIC premiums increased $41 thousand for the six months ended June 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. Included in other noninterest expense for the first six months ended June 30, 2022 is a $99 thousand non-recoverable loss, partially offset by a $31 thousand gain due to a fixed asset sale and a deficiency recovery.

CAPITAL RESOURCES

Our shareholders’ equity at June 30, 2022, was $70.1 million, an increase from $66.7 million at December 31, 2021. This increase is primarily due to net income during the period.

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.

Lyndal Skaggs	Kyle Hohmann	Brittany Carter
Board Chair	Chief Executive Officer	Chief Financial Officer
Date 8-8-2022	Date 8-8-2022	Date 8-8-2022

Consolidated Statement of Condition

(Dollars in Thousands)

	June 30 2022	December 31 2021
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 257,859**	$ 246,584
Less allowance for loan losses	**454**	418
Net loans	**257,405**	246,166
Cash	**2,048**	1,740
Accrued interest receivable	**4,119**	3,041
Investment in CoBank, ACB	**7,044**	7,264
Premises and equipment, net	**2,811**	2,814
Prepaid benefit expense	**1,737**	1,498
Other assets	**1,484**	1,997
Total assets	**$ 276,648**	$ 264,520
LIABILITIES		
Note payable to CoBank, ACB	**$ 202,755**	$ 193,845
Advance conditional payments	**1,461**	823
Accrued interest payable	**254**	248
Patronage distributions payable	**-**	750
Accrued benefits liability	**288**	247
Reserve for unfunded commitments	**69**	91
Other liabilities	**1,673**	1,825
Total liabilities	**206,500**	197,829
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**457**	465
Unallocated retained earnings	**69,886**	66,446
Accumulated other comprehensive income/(loss)	**(195)**	(220)
Total shareholders' equity	**70,148**	66,691
Total liabilities and shareholders' equity	**$ 276,648**	$ 264,520

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 June 30 **2022**	2021	For the six months ended June 30 **2022**	2021
INTEREST INCOME				
Loans	**$ 2,660**	$ 2,335	**$ 5,041**	$ 4,661
Total interest income	**2,660**	2,335	**5,041**	4,661
INTEREST EXPENSE				
Note payable to CoBank, ACB	**868**	694	**1,618**	1,394
Other	**4**	2	**9**	3
Total interest expense	**872**	696	**1,627**	1,397
Net interest income	**1,788**	1,639	**3,414**	3,264
(Credit loss reversal)/Provision for credit losses	**(118)**	(503)	**12**	(584)
Net interest income after credit loss reversal/provision for credit losses	**1,906**	2,142	**3,402**	3,848
NONINTEREST INCOME				
Financially related services income	**30**	49	**60**	84
Loan fees	**12**	18	**26**	31
Patronage distribution from Farm Credit institutions	**230**	250	**473**	440
Mineral income	**47**	33	**92**	54
Equity positioning income from CoBank	**2,333**	-	**2,333**	-
Other noninterest income	**-**	-	**15**	10
Total noninterest income	**2,652**	350	**2,999**	619
NONINTEREST EXPENSE				
Salaried and employee benefits	**693**	643	**1,283**	1,279
Occupancy and equipment	**57**	58	**114**	116
Purchased services from AgVantis, Inc.	**297**	270	**594**	540
Farm Credit Insurance Fund premium	**111**	73	**185**	144
Merger related costs	**75**	-	**84**	-
Supervisory and examination costs	**26**	25	**52**	50
Other noninterest expense	**371**	364	**649**	649
Total noninterest expense	**1,630**	1,433	**2,961**	2,778
Net income	**2,928**	1,059	**3,440**	1,689
COMPREHENSIVE INCOME				
Amortization of retirement costs	**12**	6	**25**	12
Total comprehensive income	**$ 2,940**	$ 1,065	**$ 3,465**	$ 1,701

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2020	$ 493	$ 64,006	$ (102)	$ 64,397
Comprehensive income		1,689	12	1,701
Stock issued	16			16
Stock retired	(34)			(34)
Balance at June 30, 2021	$ 475	$ 65,695	$ (90)	$ 66,080
Balance at December 31, 2021	$ 465	$ 66,446	$ (220)	$ 66,691
Comprehensive income		3,440	25	3,465
Stock issued	14			14
Stock retired	(22)			(22)
Balance at June 30, 2022	**$ 457**	**$ 69,886**	**$ (195)**	**$ 70,148**

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 Enid, 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 second 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 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 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)	**June 30, 2022**	December 31, 2021
Real estate mortgage	**$ 154,967**	$ 146,490
Production and intermediate-term	**49,659**	58,306
Agribusiness	**30,865**	19,932
Rural infrastructure	**18,363**	17,852
Agricultural export finance	**4,005**	4,004
Total loans	**$ 257,859**	$ 246,584

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 June 30, 2022:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
(dollars in thousands)	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 6,274	$ 5,323	$ 30,368	$ –	$ 36,642	$ 5,323
Production and intermediate-term	10,462	3,816	–	–	10,462	3,816
Agribusiness	29,990	–	–	–	29,990	–
Rural infrastructure	18,363	–	–	–	18,363	–
Agricultural export finance	4,005	–	–	–	4,005	–
Total	$ 69,094	$ 9,139	$ 30,368	$ –	$ 99,462	$ 9,139

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:

	June 30, 2022	December 31, 2021
Real estate mortgage		
Acceptable	**96.02%**	95.31%
OAEM	**3.16%**	3.47%
Substandard	**0.82%**	1.22%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**96.35%**	95.46%
OAEM	**1.48%**	1.24%
Substandard	**2.17%**	3.30%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**97.94%**	97.88%
OAEM	**2.06%**	2.12%
Total	**100.00%**	100.00%
Agricultural export finance		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**96.75%**	95.98%
OAEM	**2.34%**	2.51%
Substandard	**0.91%**	1.51%
Total	**100.00%**	100.00%

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

(dollars in thousands)	**June 30, 2022**	December 31, 2021
Nonaccrual loans		
Real estate mortgage	**$ 702**	$ 1,047
Production and intermediate-term	**1,028**	673
Total nonaccrual loans	**$ 1,730**	$ 1,720
Total high risk assets	**$ 1,730**	$ 1,720

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

Additional impaired loan information is as follows:

	June 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:						
Real estate mortgage	**$ 224**	**$ 179**	**$ 27**	$ 536	$ 492	$ 27
Production and intermediate-term	**678**	**673**	**108**	353	346	24
Total	**$ 902**	**$ 852**	**$ 135**	$ 889	$ 838	$ 51
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	**$ 478**	**$ 488**		$ 511	$ 541	
Production and intermediate-term	**350**	**370**		320	343	
Total	**$ 828**	**$ 858**		$ 831	$ 884	
Total impaired loans:						
Real estate mortgage	**$ 702**	**$ 667**	**$ 27**	$ 1,047	$ 1,033	$ 27
Production and intermediate-term	**1,028**	**1,043**	**108**	673	689	24
Total	**$ 1,730**	**$ 1,710**	**$ 135**	$ 1,720	$ 1,722	$ 51

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 June 30, 2022		For the Three Months Ended June 30, 2021	
(dollars in thousands)	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	**$ 413**	**$ –**	$ 536	$ –
Production and intermediate-term	**750**	**–**	492	–
Total	**$ 1,163**	**$ –**	$ 1,028	$ –
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 483**	**$ 24**	$ 1,103	$ –
Production and intermediate-term	**320**	**–**	57	3
Total	**$ 803**	**$ 24**	$ 1,160	$ 3
Total impaired loans:				
Real estate mortgage	**$ 896**	**$ 24**	$ 1,639	$ –
Production and intermediate-term	**1,070**	**–**	549	3
Total	**$ 1,966**	**$ 24**	$ 2,188	$ 3

(dollars in thousands)	**For the Six Months Ended June 30, 2022** Average Impaired Loans	**For the Six Months Ended June 30, 2022** Interest Income Recognized	For the Six Months Ended June 30, 2021 Average Impaired Loans	For the Six Months Ended June 30, 2021 Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	**$ 474**	**$ –**	$ 547	$ –
Production and intermediate-term	**575**	**–**	494	–
Total	**$ 1,049**	**$ –**	$ 1,041	$ –
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 496**	**$ 24**	$ 1,249	$ 16
Production and intermediate-term	**320**	**–**	64	3
Total	**$ 816**	**$ 24**	$ 1,313	$ 19
Total impaired loans:				
Real estate mortgage	**$ 970**	**$ 24**	$ 1,796	$ 16
Production and intermediate-term	**895**	**–**	558	3
Total	**$ 1,865**	**$ 24**	$ 2,354	$ 19

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

	June 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 Outstanding	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 107	$ 681	$ 788	$ 157,341	$ 158,129	$ –
Production and intermediate-term	344	608	952	49,588	50,540	–
Agribusiness	–	–	–	30,919	30,919	–
Rural infrastructure	–	–	–	18,372	18,372	–
Agricultural export finance	–	–	–	4,018	4,018	–
Total	$ 451	$ 1,289	$ 1,740	$ 260,238	$ 261,978	$ –

	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 Outstanding	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 129	$ 994	$ 1,123	$ 147,444	$ 148,567	$ –
Production and intermediate-term	18	633	651	58,559	59,210	–
Agribusiness	–	–	–	19,959	19,959	–
Rural infrastructure	–	–	–	17,877	17,877	–
Agricultural export finance	–	–	–	4,012	4,012	–
Total	$ 147	$ 1,627	$ 1,774	$ 247,851	$ 249,625	$ –

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

(dollars in thousands)	Balance at March 31, 2022	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2022
Real estate mortgage	$ 135	$ –	$ –	$ 17	$ 152
Production and intermediate-term	370	–	1	(139)	232
Agribusiness	20	–	–	3	23
Rural infrastructure	43	–	–	2	45
Agricultural export finance	2	–	–	–	2
Total	$ 570	$ –	$ 1	$ (117)	$ 454

(dollars in thousands)	Balance at December 31, 2021	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2022
Real estate mortgage	$ 126	$ –	$ –	$ 26	$ 152
Production and intermediate-term	226	–	2	4	232
Agribusiness	15	–	–	8	23
Rural infrastructure	50	–	–	(5)	45
Agricultural export finance	1	–	–	1	2
Total	$ 418	$ –	$ 2	$ 34	$ 454

(dollars in thousands)	Balance at March 31, 2021	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2021
Real estate mortgage	$ 221	$ –	$ –	$ (101)	$ 120
Production and intermediate-term	506	–	27	(278)	255
Agribusiness	37	–	–	(18)	19
Rural infrastructure	73	–	–	(34)	39
Agricultural export finance	–	–	–	2	2
Total	$ 837	$ –	$ 27	$ (429)	$ 435

(dollars in thousands)	Balance at December 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2021
Real estate mortgage	$ 224	$ –	$ –	$ (104)	$ 120
Production and intermediate-term	577	–	28	(350)	255
Agribusiness	36	–	–	(17)	19
Rural infrastructure	51	–	–	(12)	39
Agricultural export finance	–	–	–	2	2
Total	$ 888	$ –	$ 28	$ (481)	$ 435

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 June 30		For the Six Months Ended June 30	
(dollars in thousands)	**2022**	2021	**2022**	2021
Balance at beginning of period	**$ 70**	$ 136	**$ 91**	$ 165
Provision for/(Reversal of) reserves for unfunded commitments	**(1)**	(74)	**(22)**	(103)
Total	**$ 69**	$ 62	**$ 69**	$ 62

Additional information on the allowance for loan losses follows:

(dollars in thousands)	Allowance for Loan Losses Ending Balance at June 30, 2022		Recorded Investments in Loans Outstanding Ending Balance at June 30, 2022	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ 27	$ 125	$ 702	$ 157,427
Production and intermediate-term	108	124	1,028	49,512
Agribusiness	–	23	–	30,919
Rural infrastructure	–	45	–	18,372
Agricultural export finance	–	2	–	4,018
Total	$ 135	$ 319	$ 1,730	$ 260,248

(dollars in thousands)	Allowance for Loan Losses Ending Balance at December 31, 2021		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2021	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ 27	$ 99	$ 1,047	$ 147,520
Production and intermediate-term	24	202	673	58,537
Agribusiness	–	15	–	19,959
Rural infrastructure	–	50	–	17,877
Agricultural export finance	–	1	–	4,012
Total	$ 51	$ 367	$ 1,720	$ 247,905

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 Association had one TDR with no recorded investment at June 30, 2022 and at June 30, 2021 and for which there was a payment default during 2022 and during 2021. The Association had no additional commitments to lend to borrowers whose loans have been modified in TDRs for the periods presented.

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 June 30, 2022	As of December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	**23.42%**	23.70%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**23.42%**	23.70%	6.0%	2.5%	8.5%
Total capital ratio	**23.66%**	23.95%	8.0%	2.5%	10.5%
Permanent capital ratio	**23.47%**	23.75%	7.0%	–	7.0%
Non-Risk Adjusted:					
Tier 1 leverage ratio	**22.81%**	23.27%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**22.64%**	25.10%	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 June 30		For the Six Months Ended June 30	
	2022	2021	**2022**	2021
Pension and other benefit plans:				
Beginning balance	**$ (207)**	$ (96)	**$ (220)**	$ (102)
Amounts reclassified from accumulated other comprehensive loss	**12**	6	**25**	12
Net current period other comprehensive income	**12**	6	**25**	12
Ending balance	**$ (195)**	$ (90)	**$ (195)**	$ (90)

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

(dollars in thousands)	Amount Reclassified from Accumulated Other Comprehensive Loss For the Three Months Ended June 30		Location of Gain/Loss Recognized in Statement of Income
	2022	2021	
Pension and other benefit plans:			
Net actuarial loss	**$ 12**	$ 6	Salaries and employee benefits
Total reclassifications	**$ 12**	$ 6	

(dollars in thousands)	Amount Reclassified from Accumulated Other Comprehensive Loss For the Six Months Ended June 30		Location of Gain/Loss Recognized in Statement of Income
	2022	2021	
Pension and other benefit plans:			
Net actuarial loss	**$ 25**	$ 12	Salaries and employee benefits
Total reclassifications	**$ 25**	$ 12	

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				
June 30, 2022	**$ 580**	**$ –**	**$ –**	**$ 580**
December 31, 2021	$ 519	$ –	$ –	$ 519

The Association had no liabilities measured at fair value on a recurring basis at June 30, 2022 or December 31, 2021.

Assets measured at fair value on a non-recurring basis for each of the fair value hierarchy values are summarized below:

(dollars in thousands)	**Fair Value Measurement Using**			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Loans				
June 30, 2022	**$ –**	**$ –**	**$ 764**	**$ 764**
December 31, 2021	$ –	$ –	$ 835	$ 835

With regard to impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and takes into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

The Association had no liabilities measured at fair value on a non-recurring basis at June 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 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. 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 collateral, 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 August 8, 2022, which is the date the financial statements were issued, and no material subsequent events were identified.