Farm Credit of Western Oklahoma, ACA

Quarterly Report
June 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 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.

Loan demand has been moderate and commodity prices have strengthened substantially during 2022. Most of our lending territory is experiencing some level of drought which is impacting the current growing summer crops as well as subsoil moisture conditions. USDA rates most soil moisture conditions across the state of Oklahoma as short to adequate emphasizing the need for moisture throughout Oklahoma, particularly on the western half of the state. According to USDA, growing crop conditions in Oklahoma are predominantly within the fair to good range 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 across the agricultural industry. The financial strength that part time farmers have relied upon from off farm income diversification has been under pressure as well due to certain economic factors throughout the United States, but unemployment has been improving over the recent months.

As 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.

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. 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 November 1, 2022.

LOAN PORTFOLIO

Loans outstanding at June 30, 2022, totaled $1.26 billion, a decrease of $39.0 million, or 3.01%, 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 six months ended June 30, 2022, was $11.7 million, a decrease of $181 thousand, or 1.52%, 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 six months ended June 30, 2022, net interest income was $17.5 million, an increase of $168 thousand, or 0.97%, compared with the six months ended June 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 six months ended June 30, 2022, was $105 thousand, a decrease of $2.7 million, or 96.28%, 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 $3.3 million during the first six months of 2022 compared with the first six months of 2021 primarily due to equity positioning income from CoBank which was the result of implanting a pro-rata equity 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.

Mineral income of $456 thousand was recognized during the first six months of 2022. Of this amount, $451 thousand was received from CoBank. The increase for the six months ended June 30, 2022, compared with the 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 $982 thousand to $12.0 million, primarily due to advertising and public member relations, increased cost from our service provider, AgVantis, and increased merger related costs.

We recorded conversion fee expense of $127 thousand during the first six 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 $243 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. This increase was also impacted by an increase in year-to-date average loan volume.

CAPITAL RESOURCES

Our shareholders' equity at June 30, 2022, was $253.1 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.

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
John Grunewald
President/CEO
August 5, 2022

Jamey B. Mitchell
Jamey B. Mitchell
CFO
August 5, 2022

Kenton Javorsky
Kenton Javorsky
Chairman of the Board
August 5, 2022

Consolidated Statement of Condition

(Dollars in Thousands)

	June 30 2022 UNAUDITED	December 31 2021 AUDITED
ASSETS		
Loans	**$ 1,257,527**	$ 1,296,546
Less allowance for loan losses	**1,614**	1,822
Net loans	**1,255,913**	1,294,724
Cash	**2,819**	8,824
Accrued interest receivable	**20,765**	17,865
Investment in CoBank, ACB	**36,918**	39,139
Premises and equipment, net	**7,312**	6,844
Prepaid benefit expense	**8,185**	7,086
Other assets	**5,308**	8,270
Total assets	**$ 1,337,220**	$ 1,382,752
LIABILITIES		
Note payable to CoBank, ACB	**$ 1,053,535**	$ 1,107,801
Advance conditional payments	**18,511**	14,164
Accrued interest payable	**1,518**	1,478
Patronage distributions payable	**-**	5,700
Accrued benefits liability	**683**	650
Reserve for unfunded commitments	**703**	545
Other liabilities	**9,165**	11,069
Total liabilities	**1,084,115**	1,141,407
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**2,433**	2,433
Additional paid-in capital	**81,946**	81,946
Unallocated retained earnings	**168,891**	157,147
Accumulated other comprehensive income/(loss)	**(165)**	(181)
Total shareholders' equity	**253,105**	241,345
Total liabilities and shareholders' equity	**$ 1,337,220**	$ 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 June 30		For the six months ended June 30	
UNAUDITED	**2022**	2021	**2022**	2021
INTEREST INCOME				
Loans	**$ 12,653**	$ 12,660	**$ 25,568**	$ 24,893
Total interest income	**12,653**	12,660	**25,568**	24,893
INTEREST EXPENSE				
Note payable to CoBank, ACB	**4,037**	3,674	**8,007**	7,504
Other	**14**	11	**25**	21
Total interest expense	**4,051**	3,685	**8,032**	7,525
Net interest income	**8,602**	8,975	**17,536**	17,368
Credit loss reversal	**(91)**	(3,056)	**(105)**	(2,821)
Net interest income after credit loss reversal	**8,693**	12,031	**17,641**	20,189
NONINTEREST INCOME				
Financially related services income	**1**	1	**3**	3
Loan fees	**44**	22	**89**	27
Patronage distribution from Farm Credit institutions	**1,192**	1,288	**2,541**	2,270
Mineral income	**232**	163	**456**	267
Equity positioning income from CoBank	**-**	-	**2,844**	-
Other noninterest income	**19**	34	**134**	151
Total noninterest income	**1,488**	1,508	**6,067**	2,718
NONINTEREST EXPENSE				
Salaries and employee benefits	**2,682**	2,502	**5,582**	5,418
Occupancy and equipment	**187**	254	**436**	443
Purchased services from AgVantis, Inc.	**864**	777	**1,727**	1,554
Farm Credit Insurance Fund premium	**562**	347	**947**	704
Merger related costs	**301**	-	**336**	167
Supervisory and examination costs	**99**	109	**199**	219
Prepayment expense	**-**	127	**-**	127
Other noninterest expense	**1,108**	932	**2,737**	2,350
Total noninterest expense	**5,803**	5,048	**11,964**	10,982
Net income	**4,378**	8,491	**11,744**	11,925
COMPREHENSIVE INCOME				
Amortization of retirement costs	**8**	16	**16**	33
Total comprehensive income	**$ 4,386**	$ 8,507	**$ 11,760**	$ 11,958

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				11,925	33	11,958
Stock issued		166				166
Stock retired	(10)	(154)				(164)
Equity issued in connection with merger	10	343	48,327			48,680
Balance at June 30, 2021	$ -	$ 2,413	$ 81,946	$ 153,919	$ (284)	$ 237,994
Balance at December 31, 2021	$ -	$ 2,433	$ 81,946	$ 157,147	$ (181)	$ 241,345
Comprehensive income				11,744	16	11,760
Stock issued		104				104
Stock retired	-	(104)				(104)
Balance at June 30, 2022	**$ -**	**$ 2,433**	**$ 81,946**	**$ 168,891**	**$ (165)**	**$ 253,105**

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 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	$ 893,648	$ 887,949
Production and intermediate-term	292,296	332,191
Agribusiness	52,309	60,643
Rural infrastructure	16,043	11,963
Rural residential real estate	1,236	1,800
Agricultural export finance	1,995	2,000
Total loans	$1,257,527	$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 June 30, 2022:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
(dollars in thousands)	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	$ 53,295	$ 13,145	$ 90,013	$ -	$ 143,308	$ 13,145
Production and intermediate-term	34,974	4,636	-	-	34,974	4,636
Agribusiness	22,446	3,912	-	-	22,446	3,912
Rural infrastructure	16,043	-	-	-	16,043	-
Agricultural export finance	1,995	-	-	-	1,995	-
Total	$ 128,753	$ 21,693	$ 90,013	$ -	$ 218,766	$ 21,693

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	**96.30%**	95.92%
OAEM	**2.26%**	2.69%
Substandard	**1.44%**	1.39%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**95.35%**	94.36%
OAEM	**3.24%**	4.57%
Substandard	**1.41%**	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	**96.29%**	95.75%
OAEM	**2.36%**	3.02%
Substandard	**1.35%**	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)	**June 30, 2022**	December 31, 2021
Nonaccrual loans		
Real estate mortgage	**$ 9,393**	$ 4,703
Production and intermediate-term	**945**	198
Total nonaccrual loans	**$10,338**	$ 4,901
Accruing restructured loans		
Real estate mortgage	**$ 157**	$ 157
Total accruing restructured loans	**$ 157**	$ 157
Accruing loans 90 days past due		
Real estate mortgage	**$ 311**	$ -
Total accruing loans 90 days past due	**$ 311**	$ -
Total impaired loans	**$10,806**	$ 5,058
Total high risk assets	**$10,806**	$ 5,058

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

Additional impaired loan information is as follows:

(dollars in thousands)	**June 30, 2022** Recorded Investment	Unpaid Principal Balance	Related Allowance	December 31, 2021 Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a related allowance for loan losses:						
Production and intermediate-term	**$ 21**	**$ 20**	**$ 23**	$ -	$ -	$ -
Total	**$ 21**	**$ 20**	**$ 23**	$ -	$ -	$ -
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	**$ 9,861**	**$ 9,862**		$ 4,860	$ 4,935	
Production and intermediate-term	**924**	**2,368**		198	1,861	
Total	**$ 10,785**	**$ 12,230**		$ 5,058	$ 6,796	
Total impaired loans:						
Real estate mortgage	**$ 9,861**	**$ 9,862**	**$ -**	$ 4,860	$ 4,935	$ -
Production and intermediate-term	**945**	**2,388**	**23**	198	1,861	-
Total	**$ 10,806**	**$ 12,250**	**$ 23**	$ 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.

(dollars in thousands)	**For the Three Months Ended June 30, 2022** Average Impaired Loans	Interest Income Recognized	For the Three Months Ended June 30, 2021 Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for loan losses:				
Production and intermediate-term	**$ 1**	**$ -**	$ 120	$ 2
Total	**$ 1**	**$ -**	$ 120	$ 2
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 9,570**	**$ 3**	$ 2,758	$ 3
Production and intermediate-term	**1,155**	**11**	372	2
Total	**$ 10,725**	**$ 14**	$ 3,130	$ 5
Total impaired loans:				
Real estate mortgage	**$ 9,570**	**$ 3**	$ 2,758	$ 3
Production and intermediate-term	**1,156**	**11**	492	4
Total	**$ 10,726**	**$ 14**	$ 3,250	$ 7

(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 loan losses:				
Production and intermediate-term	**$ -**	**$ -**	$ 75	$ 2
Total	**$ -**	**$ -**	$ 75	$ 2
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ 8,192**	**$ 4**	$ 2,236	$ 32
Production and intermediate-term	**853**	**169**	356	2
Total	**$ 9,045**	**$ 173**	$ 2,592	$ 34
Total impaired loans:				
Real estate mortgage	**$ 8,192**	**$ 4**	$ 2,236	$ 32
Production and intermediate-term	**853**	**169**	431	4
Total	**$ 9,045**	**$ 173**	$ 2,667	$ 36

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	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 236	$ 4,610	$ 4,846	$ 903,939	$ 908,785	$ 311
Production and intermediate-term	-	116	116	297,614	297,730	-
Agribusiness	-	-	-	52,489	52,489	-
Rural infrastructure	-	-	-	16,050	16,050	-
Rural residential real estate	-	-	-	1,241	1,241	-
Agricultural export finance	-	-	-	1,997	1,997	-
Total	$ 236	$ 4,726	$ 4,962	$ 1,273,330	$ 1,278,292	$ 311

(dollars in thousands)	December 31, 2021					
	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 March 31, 2022	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at June 30, 2022
Real estate mortgage	$ 522	$ -	$ -	$ (24)	$ 498
Production and intermediate-term	1,136	-	-	(179)	957
Agribusiness	181	-	-	(46)	135
Rural infrastructure	18	-	-	3	21
Rural residential real estate	1	-	-	1	2
Agricultural export finance	1	-	-	-	1
Total	$ 1,859	$ -	$ -	$ (245)	$ 1,614

(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	$ 514	$ -	$ -	$ (16)	$ 498
Production and intermediate-term	1,164	-	55	(262)	957
Agribusiness	116	-	-	19	135
Rural infrastructure	21	-	-	-	21
Rural residential real estate	6	-	-	(4)	2
Agricultural export finance	1	-	-	-	1
Total	$ 1,822	$ -	$ 55	$ (263)	$ 1,614

(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	$ 510	$ -	$ -	$ 27	$ 537
Production and intermediate-term	1,462	-	2,918	(3,108)	1,272
Agribusiness	55	-	-	(23)	32
Rural infrastructure	14	-	-	1	15
Rural residential real estate	2	-	-	(1)	1
Agricultural export finance	-	-	-	1	1
Total	$ 2,043	$ -	$ 2,918	$ (3,103)	$ 1,858

(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	$ 423	$ -	$ -	$ 114	$ 537
Production and intermediate-term	1,359	-	2,923	(3,010)	1,272
Agribusiness	43	-	-	(11)	32
Rural infrastructure	1	-	-	14	15
Rural residential real estate	1	-	-	-	1
Agricultural export finance	-	-	-	1	1
Total	$ 1,827	$ -	$ 2,923	$ (2,892)	$ 1,858

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	**$ 549**	$ 542	**$ 545**	$ 518
Provision for/(Reversal of) reserve for unfunded commitment	**154**	47	**158**	71
Total	**$ 703**	$ 589	**$ 703**	$ 589

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	$ -	$ 498	$ 9,861	$ 898,924
Production and intermediate-term	23	934	945	296,785
Agribusiness	-	135	-	52,489
Rural infrastructure	-	21	-	16,050
Rural residential real estate	-	2	-	1,241
Agricultural export finance	-	1	-	1,997
Total	$ 23	$ 1,591	$ 10,806	$ 1,267,486

(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	$ -	$ 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.

(dollars in thousands)	For the Three Months Ended			
	June 30, 2022		June 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	$ 1,361	$ 1,361	$ -	$ -
Total	$ 1,361	$ 1,361	$ -	$ -

	For the Six Months Ended			
	June 30, 2022		June 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	$ 4,783	$ 4,783	$ -	$ -
Production and intermediate-term	852	852	-	-
Total	$ 5,635	$ 5,635	$ -	$ -

* 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 six months of 2022 and 2021. There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring at June 30, 2022 and December 31, 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)	**June 30, 2022**	December 31, 2021	**June 30, 2022**	December 31, 2021
Real estate mortgage	**$ 4,638**	$ 157	**$ 4,481**	$ -
Production and intermediate-term	**805**	-	**805**	-
Total	**$ 5,443**	$ 157	**$ 5,286**	$ -

* 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 June 30, 2022	As of December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	17.59%	16.76%	4.5%	2.5%	7.0%
Tier 1 capital ratio	17.59%	16.76%	6.0%	2.5%	8.5%
Total capital ratio	17.79%	16.97%	8.0%	2.5%	10.5%
Permanent capital ratio	17.62%	16.79%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	16.31%	15.51%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	16.12%	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:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
(dollars in thousands)	**2022**	2021	**2022**	2021
Pension and other benefit plans:				
Beginning balance	**$ (173)**	$ (300)	**$ (181)**	$ (317)
Amounts reclassified from accumulated other comprehensive income/loss	**8**	16	**16**	33
Net current period other comprehensive income/(loss)	**8**	16	**16**	33
Ending balance	**$ (165)**	$ (284)	**$ (165)**	$ (284)

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

	Amount Reclassified from Accumulated Other Comprehensive Income/Loss		Location of Gain/Loss Recognized in Statement of Income
	For the Three Months Ended June 30		
(dollars in thousands)	**2022**	2021	
Pension and other benefit plans:			
Net actuarial loss	**$ 8**	$ 16	Salaries and employee benefits
Total reclassifications	**$ 8**	$ 16	

	Amount Reclassified from Accumulated Other Comprehensive Income/Loss		Location of Gain/Loss Recognized in Statement of Income
	For the Six Months Ended June 30		
(dollars in thousands)	**2022**	2021	
Pension and other benefit plans:			
Net actuarial loss	**$ 16**	$ 33	Salaries and employee benefits
Total reclassifications	**$ 16**	$ 33	

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			**Total Fair Value**
(dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	
Assets held in nonqualified benefits trusts				
June 30, 2022	**$ 1,130**	**$ -**	**$ -**	**$ 1,130**
December 31, 2021	$ 1,062	$ -	$ -	$ 1,062

The Association had no liabilities measured at fair value on a recurring basis at June 30, 2022 or December 31, 2021. The Association had no assets or 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 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 August 5, 2022, which is the date the financial statements were issued, and no material subsequent events were identified.