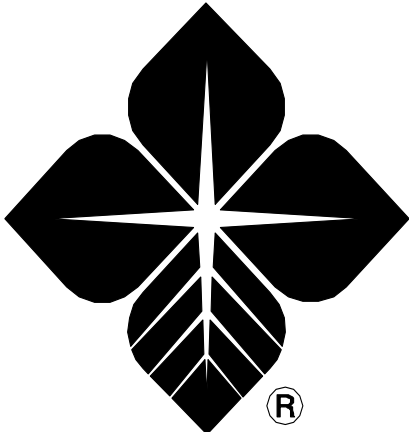


**2022**

**FIRST 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](http://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 three months ended March 31, 2022, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2021 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

The entire Association territory experienced below normal levels of precipitation during the first quarter of 2022. This had an adverse effect on wheat pasture, wheat crop, grass pasture, and pond water.

Commodity and livestock prices fluctuated at above-average levels. Input costs remained high resulting in negative pressures on net farm income.

Real Estate values remained strong and have increased in more recent sales. Interest rates saw upward movement in anticipation of the Federal Reserve monetary policy shift to curb inflation.

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

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 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. If approved, the target date for the merger to become effective is October 1, 2022.

#### **LOAN PORTFOLIO**

Loans outstanding at March 31, 2022, totaled \$258.8 million, an increase of \$12.2 million, or 5.0%, from loans of \$246.6 million at December 31, 2021. The increase was primarily due to new lending in the agribusiness and agricultural export loan sectors, partially offset by pay downs and payoffs in the portfolio during the first three months of 2022.

#### **RESULTS OF OPERATIONS**

Net income for the three months ended March 31, 2022, was \$512 thousand, a decrease of \$118 thousand, or 18.7%, from the same period ended one year ago. The decrease in net income was primarily attributed to increase in provision for loan losses, partially offset by increase in noninterest income and decrease in noninterest expense.

Net interest income for the three months ended March 31, 2022 was \$1.6 million. This is comparable to the net interest income for the three months ended March 31, 2021 of \$1.6 million. Interest income increased during the three months ended March 31, 2022 by approximately the same amount that interest expense increased during the three months ended March 31, 2022. Net interest income is determined by loan volume and interest rates during the period.

The provision for credit losses for the three months ended March 31, 2022, was \$130 thousand compared with a credit loss reversal of \$81 thousand for the same period one year ago. The provision for credit losses increased as a result of changes in the Association's risk portfolio.

Noninterest income increased \$78 thousand during the first three months of 2022 compared with the first three months of 2021 primarily due to increase in patronage distribution from Farm Credit institutions. Patronage distribution from Farm Credit institutions increased primarily due to an increase in CoBank patronage related to our direct note payable to CoBank.

We received mineral income of \$45 thousand during the first three months of 2022, which is distributed to us quarterly by CoBank. The increase of \$24 thousand for the three months ended March 31, 2022, compared with first three months of 2021 is reflective of the higher oil and gas commodity prices paid on production during the period.

During the first three months of 2022, noninterest expense decreased \$14 thousand to \$1.3 million, primarily due to decrease in salary and employee benefits and other noninterest expense, partially offset by increase in purchased services from AgVantis and merger related expense.

### **CAPITAL RESOURCES**

Our shareholders' equity at March 31, 2022, was \$67.2 million, an increase from \$66.7 million at December 31, 2021. This increase is primarily due to net income during the period.

### **OTHER MATTERS**

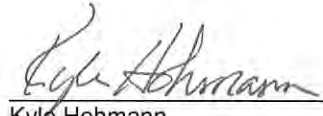
On December 8, 2021, the FCA issued an informational memorandum to provide additional guidance to Farm Credit System institutions on their transition away from LIBOR. The guidance encourages Farm Credit System institutions to stop entering into new contracts that reference LIBOR as soon as practicable 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.

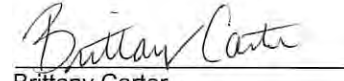
On March 15, 2022, the U.S. government passed the Consolidated Appropriations Act of 2022, which includes federal legislation regarding the LIBOR transition. The legislation provides a statutory fallback mechanism to replace LIBOR with a benchmark rate, selected by the Federal Reserve Board and based 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  
Board Chair

  
Kyle Hohmann  
Chief Executive Officer

  
Brittany Carter  
Chief Financial Officer

Date 5-9-2022

Date 5-9-2022

Date 5-9-2022

## **Consolidated Statement of Condition**

(Dollars in Thousands)

	<b>March 31</b>	December 31
	<b>2022</b>	2021
	<b>UNAUDITED</b>	AUDITED
<b>ASSETS</b>		
Loans	\$ 258,816	\$ 246,584
Less allowance for loan losses	570	418
Net loans	258,246	246,166
Cash	622	1,740
Accrued interest receivable	3,456	3,041
Investment in CoBank, ACB	7,044	7,264
Premises and equipment, net	2,786	2,814
Prepaid benefit expense	1,617	1,498
Other assets	1,265	1,997
<b>Total assets</b>	<b>\$ 275,036</b>	<b>\$ 264,520</b>
<b>LIABILITIES</b>		
Note payable to CoBank, ACB	\$ 203,626	\$ 193,845
Advance conditional payments	2,338	823
Accrued interest payable	262	248
Patronage distributions payable	-	750
Accrued benefits liability	267	247
Reserve for unfunded commitments	70	91
Other liabilities	1,265	1,825
<b>Total liabilities</b>	<b>207,828</b>	<b>197,829</b>
<b>Commitments and Contingencies</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	457	465
Unallocated retained earnings	66,958	66,446
Accumulated other comprehensive income/(loss)	(207)	(220)
<b>Total shareholders' equity</b>	<b>67,208</b>	<b>66,691</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 275,036</b>	<b>\$ 264,520</b>

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

## **Consolidated Statement of Comprehensive Income**

(Dollars in Thousands)

	<b>For the three months ended March 31</b>	
UNAUDITED	<b>2022</b>	2021
<b>INTEREST INCOME</b>		
Loans	<b>\$ 2,381</b>	\$ 2,326
<b>Total interest income</b>	<b>2,381</b>	2,326
<b>INTEREST EXPENSE</b>		
Note payable to CoBank, ACB	<b>750</b>	700
Other	<b>5</b>	1
<b>Total interest expense</b>	<b>755</b>	701
Net interest income	<b>1,626</b>	1,625
Provision for credit losses/(Credit loss reversal)	<b>130</b>	(81)
Net interest income after provision for credit losses/credit loss reversal	<b>1,496</b>	1,706
<b>NONINTEREST INCOME</b>		
Financially related services income	<b>30</b>	35
Loan fees	<b>14</b>	13
Patronage distribution from Farm Credit institutions	<b>243</b>	190
Mineral income	<b>45</b>	21
Other noninterest income	<b>15</b>	10
<b>Total noninterest income</b>	<b>347</b>	269
<b>NONINTEREST EXPENSE</b>		
Salaries and employee benefits	<b>590</b>	636
Occupancy and equipment	<b>57</b>	58
Purchased services from AgVantis, Inc.	<b>297</b>	270
Farm Credit Insurance Fund premium	<b>74</b>	71
Merger related costs	<b>9</b>	-
Supervisory and examination costs	<b>26</b>	25
Other noninterest expense	<b>278</b>	285
<b>Total noninterest expense</b>	<b>1,331</b>	1,345
<b>Net income</b>	<b>512</b>	630
<b>COMPREHENSIVE INCOME</b>		
Amortization of retirement costs	<b>13</b>	6
<b>Total comprehensive income</b>	<b>\$ 525</b>	\$ 636

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
<b>Balance at December 31, 2020</b>	\$ 493	\$ 64,006	\$ (102)	\$ 64,397
Comprehensive income		630	6	636
Stock issued	8			8
Stock retired	(13)			(13)
<b>Balance at March 31, 2021</b>	<b>\$ 488</b>	<b>\$ 64,636</b>	<b>\$ (96)</b>	<b>\$ 65,028</b>
<b>Balance at December 31, 2021</b>	\$ 465	\$ 66,446	\$ (220)	\$ 66,691
Comprehensive income		512	13	525
Stock issued	6			6
Stock retired	(14)			(14)
<b>Balance at March 31, 2022</b>	<b>\$ 457</b>	<b>\$ 66,958</b>	<b>\$ (207)</b>	<b>\$ 67,208</b>

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 first quarter 2022 financial statements should be read in conjunction with the 2021 Annual Report to Shareholders.

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

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

**Recently Adopted or Issued Accounting Pronouncements**

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

**NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES**

A summary of loans follows.

<i>(dollars in thousands)</i>	<b>March 31, 2022</b>	December 31, 2021
Real estate mortgage	<b>\$ 146,468</b>	\$ 146,490
Production and intermediate-term	<b>57,973</b>	58,306
Agribusiness	<b>29,032</b>	19,932
Rural infrastructure	<b>17,739</b>	17,852
Agricultural export finance	<b>7,604</b>	4,004
Total loans	<b>\$ 258,816</b>	\$ 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 March 31, 2022:

<i>(dollars in thousands)</i>	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Purchased	Sold	Purchased	Sold	Purchased	Sold
Real estate mortgage	\$ 6,917	\$ 5,358	\$ 22,298	\$ –	\$ 29,215	\$ 5,358
Production and intermediate-term	12,960	2,723	–	–	12,960	2,723
Agribusiness	29,032	–	–	–	29,032	–
Rural infrastructure	17,739	–	–	–	17,739	–
Agricultural export finance	7,604	–	–	–	7,604	–
<b>Total</b>	<b>\$ 74,252</b>	<b>\$ 8,081</b>	<b>\$ 22,298</b>	<b>\$ –</b>	<b>\$ 96,550</b>	<b>\$ 8,081</b>

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:

	<b>March 31, 2022</b>	December 31, 2021
Real estate mortgage		
Acceptable	<b>95.40%</b>	95.31%
OAEM	<b>3.38%</b>	3.47%
Substandard	<b>1.22%</b>	1.22%
<b>Total</b>	<b>100.00%</b>	100.00%
Production and intermediate-term		
Acceptable	<b>94.93%</b>	95.46%
OAEM	<b>1.57%</b>	1.24%
Substandard	<b>3.50%</b>	3.30%
<b>Total</b>	<b>100.00%</b>	100.00%
Agribusiness		
Acceptable	<b>100.00%</b>	100.00%
<b>Total</b>	<b>100.00%</b>	100.00%
Rural infrastructure		
Acceptable	<b>97.87%</b>	97.88%
OAEM	<b>2.13%</b>	2.12%
<b>Total</b>	<b>100.00%</b>	100.00%
Agricultural export finance		
Acceptable	<b>100.00%</b>	100.00%
<b>Total</b>	<b>100.00%</b>	100.00%
Total Loans		
Acceptable	<b>96.10%</b>	95.98%
OAEM	<b>2.42%</b>	2.51%
Substandard	<b>1.48%</b>	1.51%
<b>Total</b>	<b>100.00%</b>	100.00%

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

<i>(dollars in thousands)</i>	<b>March 31, 2022</b>	December 31, 2021
Nonaccrual loans		
Real estate mortgage	<b>\$ 1,045</b>	\$ 1,047
Production and intermediate-term	<b>1,996</b>	673
Total nonaccrual loans	<b>\$ 3,041</b>	\$ 1,720
Total high risk assets	<b>\$ 3,041</b>	\$ 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:

<i>(dollars in thousands)</i>	<b>March 31, 2022</b>			December 31, 2021		
	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	<b>\$ 536</b>	\$ 492	\$ 27	\$ 536	\$ 492	\$ 27
Production and intermediate-term	<b>1,672</b>	<b>1,665</b>	<b>225</b>	353	346	24
Total	<b>\$ 2,208</b>	<b>\$ 2,157</b>	<b>\$ 252</b>	\$ 889	\$ 838	\$ 51
Impaired loans with no related allowance for loan losses:						
Real estate mortgage	<b>\$ 509</b>	\$ 539		\$ 511	\$ 541	
Production and intermediate-term	<b>324</b>	<b>347</b>		320	343	
Total	<b>\$ 833</b>	<b>\$ 886</b>		\$ 831	\$ 884	
Total impaired loans:						
Real estate mortgage	<b>\$ 1,045</b>	\$ 1,031	\$ 27	\$ 1,047	\$ 1,033	\$ 27
Production and intermediate-term	<b>1,996</b>	<b>2,012</b>	<b>225</b>	673	689	24
Total	<b>\$ 3,041</b>	<b>\$ 3,043</b>	<b>\$ 252</b>	\$ 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.

<i>(dollars in thousands)</i>	For the Three Months Ended March 31, 2022		For the Three Months Ended March 31, 2021	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	\$ 537	\$ —	\$ 557	\$ —
Production and intermediate-term	396	—	496	—
Total	\$ 933	\$ —	\$ 1,053	\$ —
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	\$ 509	\$ —	\$ 1,397	\$ 16
Production and intermediate-term	320	—	72	—
Total	\$ 829	\$ —	\$ 1,469	\$ 16
Total impaired loans:				
Real estate mortgage	\$ 1,046	\$ —	\$ 1,954	\$ 16
Production and intermediate-term	716	—	568	—
Total	\$ 1,762	\$ —	\$ 2,522	\$ 16

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

<i>(dollars in thousands)</i>	March 31, 2022					
	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans Outstanding	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	\$ 163	\$ 994	\$ 1,157	\$ 147,758	\$ 148,915	\$ —
Production and intermediate-term	—	638	638	58,286	58,924	—
Agribusiness	—	—	—	29,067	29,067	—
Rural infrastructure	—	—	—	17,753	17,753	—
Agricultural export finance	—	—	—	7,613	7,613	—
Total	\$ 163	\$ 1,632	\$ 1,795	\$ 260,477	\$ 262,272	\$ —

<i>(dollars in thousands)</i>	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 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:

<i>(dollars in thousands)</i>	Balance at December 31, 2021	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2022
Real estate mortgage	\$ 126	\$ -	\$ -	\$ 9	\$ 135
Production and intermediate-term	226	-	1	143	370
Agribusiness	15	-	-	5	20
Rural infrastructure	50	-	-	(7)	43
Agricultural export finance	1	-	-	1	2
<b>Total</b>	<b>\$ 418</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 151</b>	<b>\$ 570</b>

<i>(dollars in thousands)</i>	Balance at December 31, 2020	Charge-offs	Recoveries	Provision for Loan Losses/ (Loan Loss Reversals)	Balance at March 31, 2021
Real estate mortgage	\$ 224	\$ -	\$ -	\$ (3)	\$ 221
Production and intermediate-term	577	-	1	(72)	506
Agribusiness	36	-	-	1	37
Rural infrastructure	51	-	-	22	73
<b>Total</b>	<b>\$ 888</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ (52)</b>	<b>\$ 837</b>

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:

<i>(dollars in thousands)</i>	For the Three Months Ended March 31	
	2022	2021
Balance at beginning of period	\$ 91	\$ 165
Reversal of reserves for unfunded commitments	(21)	(29)
<b>Total</b>	<b>\$ 70</b>	<b>\$ 136</b>

Additional information on the allowance for loan losses follows:

<i>(dollars in thousands)</i>	Allowance for Loan Losses Ending Balance at March 31, 2022		Recorded Investments in Loans Outstanding Ending Balance at March 31, 2022	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	\$ 27	\$ 108	\$ 1,045	\$ 147,870
Production and intermediate-term	225	145	1,996	56,928
Agribusiness	-	20	-	29,067
Rural infrastructure	-	43	-	17,753
Agricultural export finance	-	2	-	7,613
<b>Total</b>	<b>\$ 252</b>	<b>\$ 318</b>	<b>\$ 3,041</b>	<b>\$ 259,231</b>

<i>(dollars in thousands)</i>	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 Agribusiness	24	202	673	58,537
Rural infrastructure	–	15	–	19,959
Agricultural export finance	–	50	–	17,877
	–	1	–	4,012
<b>Total</b>	<b>\$ 51</b>	<b>\$ 367</b>	<b>\$ 1,720</b>	<b>\$ 247,905</b>

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 recorded no TDRs during the three months ended March 31, 2022 or during the three months ended March 31, 2021. The Association had one TDR with no recorded investment within the previous 12 months and for which there was a payment default during the first three months of 2021. There were no additional commitments to lend to borrowers whose loans have been modified in troubled debt restructuring at March 31, 2022 or at March 31, 2021.

### NOTE 3 - CAPITAL

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

	<b>As of March 31, 2022</b>	As of December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
<b>Risk Adjusted:</b>					
Common equity tier 1 ratio	<b>23.43%</b>	23.70%	4.5%	2.5%	7.0%
Tier 1 capital ratio	<b>23.43%</b>	23.70%	6.0%	2.5%	8.5%
Total capital ratio	<b>23.63%</b>	23.95%	8.0%	2.5%	10.5%
Permanent capital ratio	<b>23.46%</b>	23.75%	7.0%	–	7.0%
<b>Non-Risk Adjusted:</b>					
Tier 1 leverage ratio	<b>22.69%</b>	23.27%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	<b>22.52%</b>	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:

<i>(dollars in thousands)</i>	For the Three Months Ended March 31	
	2022	2021
Pension and other benefit plans:		
Beginning balance	\$ (220)	\$ (102)
Amounts reclassified from accumulated other comprehensive loss	13	6
Net current period other comprehensive income	13	6
Ending balance	\$ (207)	\$ (96)

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

<i>(dollars in thousands)</i>	Amount Reclassified from Accumulated Other Comprehensive Loss		Location of Gain/Loss Recognized in Statement of Income
	For the Three Months Ended March 31		
	2022	2021	
Pension and other benefit plans:			
Net actuarial loss	\$ 13	\$ 6	Salaries and employee benefits
Total reclassifications	\$ 13	\$ 6	

#### 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:

<i>(dollars in thousands)</i>	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Assets held in nonqualified benefits trusts				
March 31, 2022	\$ 584	\$ -	\$ -	\$ 584
December 31, 2021	\$ 519	\$ -	\$ -	\$ 519

The Association had no liabilities measured at fair value on a recurring basis at March 31, 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:

<i>(dollars in thousands)</i>	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
Loans				
March 31, 2022	\$ -	\$ -	\$ 1,953	\$ 1,953
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 March 31, 2022 or December 31, 2021.

#### Valuation Techniques

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

##### *Assets Held in Non-Qualified Benefits Trusts*

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

*Loans Evaluated for Impairment*

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying collateral since the loans are collateral dependent loans. 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 May 9, 2022, which is the date the financial statements were issued, and no material subsequent events were identified.