Farm Credit Services of Western Arkansas, ACA

Quarterly Report
September 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of Farm Credit Services of Western Arkansas, ACA and its subsidiaries, Farm Credit Services of Western Arkansas, FLCA and Farm Credit Services of Western Arkansas, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2021 (2021 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

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NOTICE OF SIGNIFICANT OR MATERIAL EVENTS

Perry McCourt, Executive Vice President and Chief Operating Officer of Farm Credit Services of Western Arkansas, retired effective September 1, 2022.

FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2021 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

At the end of the September 2022, parts of all 75 counties in the state showed some kind of drought condition. With parts of 6 counties labeled as extreme drought conditions, and another 44 counties having parts with severe drought conditions. There is only 4.99% of the state with no drought conditions while 95.01% of the state is abnormally dry. Of the state 69.68% of the state is in a moderate drought, 39.30% of the state is in a severe drought, and 2.96% of the state is showing extreme drought conditions. Of note, the counties with extreme drought conditions are located primarily in the western river valley region with large parts of the central portion of the state having severe drought conditions. July temperatures were considerably warmer than normal. The mean temperature was 86.6 degrees compared to the normal mean value in July of 81.4 degrees. July precipitation was 3.22" on average in Little Rock which is down just 0.11" from the normal value of 3.33. August temperatures were slightly warmer than normal values with a mean temperature of 82.0 degrees, 1.2 degrees warmer than the normal value of 80.8. Precipitation in August was 1.40" in Little Rock, which is less than half the normal value of 3.16" for August at Little Rock. September temperatures were slightly warmer than normal with the mean temperature at 77.3 degrees compared to the normal value of 74.0 degrees. Precipitation was 0.63" in Little Rock, which is significantly less than the normal 3.01". Rainfall in the third quarter of 2022 was a total of 5.25" at Little Rock.

Row Crops: The September United States Department of Agriculture (USDA) National Agricultural Statistics Service (NASS) crop production report forecasts the 2022/2023 soybean yield at 50.5 bushels per acre, which is down from the last month's forecast of 51.9 bushels per acre. Reduced yield combined with a 0.58-million-acre reduction in the harvest area forecast to 85.6 million acres has caused the production forecast to be scaled down by 152.37 million bushels to 4.38 billion.

The USDA's forecast of the 2022/2023 average price received by soybean farmers remains unchanged at $14.35/bu. Total U.S. feed grain production in 2022 is forecast down 11.4 million tons in the September World Agricultural Supply and Demand (WASDE) report. This is due to lower corn and sorghum yields and markedly lower corn harvested area.

U.S. corn production is reduced 415 million bushels this month due to a 2.9 bushel per acre yield drop along with a 1-million-acre reduction in harvested area. Corn production is forecast to total 13,944 million bushels in 2022/2023. U.S. corn planted area fell to 88.6 million acres, the lowest since

2015/2016 as widespread summer drought puts downward pressure on yield potential across the western Corn Belt. At the end of September 2022, Corn prices ranged $5.92 to $7.12 per bushel on a cash crop basis, with the high coming from Elaine for current delivery.

Poultry: Broiler production in July totaled 8.684 billion pounds, 1.8% below the same month a year prior but that was with July 2022 having one less slaughter day. Monthly average weights remained below year-ago levels in July, but preliminary weekly August data suggests that weights have recovered since that time. Broiler placements have been climbing in recent weeks, and placements as a share of eggs set 3 weeks earlier reached a 2022 high of 78.9% in the week ending August 27th, in which placements were 5% higher than the same week a year prior.

Broiler exports in July totaled 552.8 million pounds, 7% lower than July 2021 and the lowest export month thus far in 2022. Increased shipments were seen in Taiwan, Angola, The Philippines, and Cuba, with declined exports to Mexico, China, Guatemala, South Africa, Ghana, Kazakhstan, Chile, and the Dominican Republic. Decreases in exports can possibly be explained by the strength of the dollar and the still elevated domestic prices for broiler parts.

Wholesale prices for leg quarters averaged 61.71 cents per pound in July which is 34% above a year prior. The impact of highly pathogenic avian influenza (HPAI) on exports in 2022 is limited as the vast majority of outbreaks occurred outside of major broiler producing regions and most regions have restrictions between major trade partners. With the exception of a 3 flock depopulation event in April, commercial flocks in the top 4 broiler producing states (North Carolina, Georgia, Arkansas, and Alabama) have avoided HPAI.

Cattle: For 2023, U.S. Consumers can anticipate greater availability of pork, broiler meat, and turkey with less beef availability. Projections for 2022/2023 beef production were adjusted marginally higher from last month, this is based on recent cattle slaughter data and stronger anticipated culling of beef cows in late 2022.

Beef production forecast for 2023 is raised as more calves are expected to be placed in feedlots in second-half 2022, this ultimately increases anticipated marketings for 2023. Month after month in 2022, feedlots have maintained large numbers of cattle on feed relative to historical values as more calves are being pushed into feedlots at a quicker than normal pace due to the drought impact on forage availability. Packers have demonstrated an ability to process cattle that is above the pace of the last 2 years.

These timely marketings have kept fed cattle supplies relatively current, evidenced by the week ending August 27 when packers delivered the largest fed cattle slaughter volume for the year and the largest since June 2021. During the first 10 weeks of the third quarter, fed cattle slaughter averaged about 4,000 more head per weekday than the same time a year prior. This improvement in weekday slaughter is more than offsetting the underutilization of Saturday slaughter capacity, which averaged 9,000 head less than a year ago in the same period.

The price for feeder steers 750-800 pounds at the Oklahoma City Stockyards averaged $174.18 cwt in August, this is up nearly $5 from July and up $18 from a year prior. Based on continued firm feedlot demand in the second half of 2022 and current price data, the third and fourth quarter 2022 price forecasts are raised by $2 to $173.00 cwt and by $4 to $177.00 cwt, respectively. Late September feeder steer prices for 500-545 pounds was $162.50-$195.00 per hundred weight and those 600-645 pounds was $145.00-$172.00 per hundred weight. Late September Replacement Cow prices (Medium and Large 1-2) (5 to 8-year-old) (second/third) (1,059 lbs.) averaged $1,155.43 per head while >8-year-old (second/third) cows weighing on average 1,160 lbs. were $950 per head. Cow-calf pairs (5 to 8-year-old) (averaging 1,112 lbs.) with a 150-300 lbs. calf were $1,307.59 per pair on average, while 2 to 4-year-old medium and large 1-2 weighing on average 1,046 with a calf of 150-300 lbs. sold around $1,269.35 per pair.

Timber: At the end of the 3rd quarter 2022, the state average stumpage price on pine sawtimber was $28.12/ton with pine pulpwood at $6.00/ton, mixed hardwood sawtimber was $40.29/ton, and hardwood pulpwood $10.40/ton. When compared to last year, the stumpage price on pine sawtimber for Q3 2022 was up $2.37 a ton, pine pulpwood was up $0.91/ton, mixed hardwood sawtimber was up $1.31/ton, and hardwood pulpwood was up $7.14/ton. Softwood lumber prices declined further in the 3rd quarter after reaching near record high levels in March. The September Random Lengths Southern Pine Composite at $517 per thousand board feet was down $28 quarter over quarter but up $73 year over year. Even with challenging economic conditions, the U.S. residential building construction, which is a principal driver of the wood products industry, has held strong in 2022. Housing starts YTD-August were the highest since 2006 and improvement expenditures YTD-August were the highest on record for this period.

LOAN PORTFOLIO

Loan Portfolio

Total loans were $1.8 billion at September 30, 2022, an increase of $132.7 million from December 31, 2021. The increase was primarily due to growth in our portfolio and opportunities to support our customers.

Portfolio Credit Quality

The credit quality of our portfolio remained stable from December 31, 2021. Adversely classified loans increased to 1.3% of the portfolio at September 30, 2022, from 1.2% of the portfolio at December 31, 2021. Adversely classified loans are loans we have identified as showing some credit weakness according to our credit standards. We have considered portfolio credit quality in assessing the reasonableness of our allowance for loan losses.

In certain circumstances, government agency guarantee programs are used to reduce the risk of loss. At September 30, 2022, $33.1 million of our loans were substantially guaranteed under these government programs.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**September 30, 2022**	December 31, 2021
Loans:		
Nonaccrual	**$ 11,978**	$ 5,885
Accruing restructured	**2,346**	2,914
Accruing loans 90 days or more past due	**--**	--
Total risk loans	**14,324**	8,799
Other property owned	**58**	658
Total risk assets	**$ 14,382**	$ 9,457
Total risk loans as a percentage of total loans	**0.8%**	0.5%
Nonaccrual loans as a percentage of total loans	**0.7%**	0.4%
Current nonaccrual loans as a percentage of total nonaccrual loans	**70.9%**	45.4%
Total delinquencies as a percentage of total loans	**0.5%**	0.3%

Note: Accruing loans include accrued interest receivable.

Our risk assets have increased from December 31, 2021, but have remained at acceptable levels. Despite the increase in risk assets, total risk loans as a percentage of total loans were well within our established risk management guidelines.

The increase in nonaccrual loans was primarily due to one relationship moving to nonaccrual during the third quarter of 2022. All loans within this relationship are classified as agribusiness loans. Nonaccrual loans remained at an acceptable level at September 30, 2022, and December 31, 2021.

The decrease in accruing restructured loans was primarily due to the pay down of one production and intermediate-term loan during 2022.

The decrease in other property owned was due to the sale of acquired property.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans inherent in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios

As of:	**September 30, 2022**	December 31, 2021
Allowance as a percentage of:		
Loans	**0.2%**	0.1%
Nonaccrual loans	**28.1%**	38.7%
Total risk loans	**23.5%**	25.9%

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at September 30, 2022.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the nine months ended September 30	**2022**	2021
Net income	**$ 21,720**	$ 23,337
Return on average assets	**1.6%**	1.8%
Return on average members' equity	**8.2%**	9.4%

Changes presented in the profitability information chart relate directly to:

- Changes in income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands) For the nine months ended September 30		2022		2021		Increase (decrease) in net income
Net interest income	$	**37,645**	$	34,751	$	**2,894**
Provision for credit losses		**1,405**		225		**(1,180)**
Non-interest income		**8,046**		9,395		**(1,349)**
Non-interest expense		**22,790**		20,323		**(2,467)**
(Benefit from) provision for income taxes		**(224)**		261		**485**
Net income	$	**21,720**	$	23,337	$	**(1,617)**

Provision for Credit Losses

The change in the provision for credit losses was related to our estimate of losses in our portfolio for the applicable years. Provision expense has increased due to one large customer preparing for bankruptcy.

Non-Interest Income

The change in non-interest income was primarily due to the decrease in fee income. The decrease was mainly due to fees collected from the SBA for originating Paycheck Protection Program (PPP) loans in 2021, which have been subsequently forgiven. The PPP has ceased with no new originations in 2022.

Non-Interest Expense

The change in non-interest expense was primarily related to salaries and benefit increases from merit increases and positions being filled. Also, in the first quarter of 2022, we recorded a non-recurring expense for the allocation of certain retirement benefit costs related to our participation in the CentRic Technology Collaboration. Finally, the Farm Credit System insurance expense increased in 2022 primarily due to a higher premium rate charged by the Farm Credit System Insurance Corporation (FCSIC) on accrual loans. The premium rate, which is primarily impacted by System growth, was 20 basis points for the nine months ended September 30, 2022, compared to 16 basis points for the same period in 2021. The FCSIC Board meets periodically throughout the year to review premium rates and has the ability to change these rates at any time.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable was scheduled to mature on May 31, 2023. However, it was renewed early for $2.0 billion with a maturity date of May 31, 2025. We intend to renegotiate the note payable no later than the maturity date. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at September 30, 2022, or December 31, 2021.

Total members' equity increased $14.1 million from December 31, 2021, primarily due to net income for the period, which was partially offset by patronage distribution accruals**.**

The Farm Credit Administration (FCA) Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 6 in our 2021 Annual Report for a more complete description of these ratios. Effective January 1, 2022, the FCA regulations slightly modified the calculation of the unallocated retained earnings and equivalents leverage ratio to include certain additional deductions. The modification did not have a material impact on this ratio.

Regulatory Capital Requirements and Ratios

As of:	**September 30, 2022**	December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**18.0%**	18.8%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**18.0%**	18.8%	6.0%	2.5%	8.5%
Total capital ratio	**18.2%**	18.9%	8.0%	2.5%	10.5%
Permanent capital ratio	**18.0%**	18.8%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**18.0%**	18.6%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**17.7%**	19.0%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments, as disclosed in Note 10 in our 2021 Annual Report.

CERTIFICATION

The undersigned have reviewed the September 30, 2022, Quarterly Report of Farm Credit Services of Western Arkansas, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Cody Jones
Chairperson of the Board
Farm Credit Services of Western Arkansas, ACA

Brandon Haberer
President and Chief Executive Officer
Farm Credit Services of Western Arkansas, ACA

Lori Schumacher
Senior Vice President of Finance and Chief Financial Officer
Farm Credit Services of Western Arkansas, ACA

November 8, 2022

CONSOLIDATED STATEMENTS OF CONDITION

Farm Credit Services of Western Arkansas, ACA
(in thousands)
(Unaudited)

As of:		**September 30, 2022**		December 31, 2021
ASSETS				
Loans	**$**	**1,791,988**	$	1,659,308
Allowance for loan losses		**3,363**		2,276
Net loans		**1,788,625**		1,657,032
Investment in AgriBank, FCB		**38,815**		38,815
Accrued interest receivable		**11,915**		9,806
Other assets		**29,034**		27,093
Total assets	**$**	**1,868,389**	$	1,732,746
LIABILITIES				
Note payable to AgriBank, FCB	**$**	**1,475,191**	$	1,360,997
Accrued interest payable		**8,046**		5,280
Deferred tax liabilities, net		**793**		621
Patronage distribution payable		**7,650**		11,500
Other liabilities		**17,756**		9,466
Total liabilities		**1,509,436**		1,387,864
Contingencies and commitments (Note 3)				
MEMBERS' EQUITY				
Capital stock and participation certificates		**6,151**		6,049
Unallocated surplus		**352,802**		338,833
Total members' equity		**358,953**		344,882
Total liabilities and members' equity	**$**	**1,868,389**	$	1,732,746

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Farm Credit Services of Western Arkansas, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
For the period ended September 30	**2022**	2021	**2022**	2021
Interest income	**$ 21,077**	$ 16,928	**$ 57,225**	$ 50,826
Interest expense	**8,046**	5,291	**19,580**	16,075
Net interest income	**13,031**	11,637	**37,645**	34,751
Provision for (reversal of) credit losses	**1,023**	(124)	**1,405**	225
Net interest income after provision for (reversal of) credit losses	**12,008**	11,761	**36,240**	34,526
Non-interest income				
Patronage income	**1,928**	1,763	**5,595**	5,708
Financially related services income	**8**	6	**17**	24
Fee income	**776**	685	**2,175**	3,521
Other non-interest income	**7**	90	**259**	142
Total non-interest income	**2,719**	2,544	**8,046**	9,395
Non-interest expense				
Salaries and employee benefits	**4,325**	4,007	**12,682**	11,985
Other operating expense	**3,495**	2,721	**9,883**	8,243
Other non-interest (income) expense, net	**(21)**	92	**225**	95
Total non-interest expense	**7,799**	6,820	**22,790**	20,323
Income before income taxes	**6,928**	7,485	**21,496**	23,598
(Benefit from) provision for income taxes	**(100)**	(8)	**(224)**	261
Net income	**$ 7,028**	$ 7,493	**$ 21,720**	$ 23,337
Other comprehensive income				
Employee benefit plans activity	**$ --**	$ 70	**$ --**	$ 210
Total other comprehensive income	**--**	70	**--**	210
Comprehensive income	**$ 7,028**	$ 7,563	**$ 21,720**	$ 23,547

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Farm Credit Services of Western Arkansas, ACA
(in thousands)
(Unaudited)

	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2020	$ 5,950	$ 319,333	$ (279)	$ 325,004
Net income	--	23,337	--	23,337
Other comprehensive income	--	--	210	210
Unallocated surplus designated for patronage distributions	--	(8,439)	--	(8,439)
Capital stock and participation certificates issued	654	--	--	654
Capital stock and participation certificates retired	(586)	--	--	(586)
Balance at September 30, 2021	$ 6,018	$ 334,231	$ (69)	$ 340,180
Balance at December 31, 2021	$ 6,049	$ 338,833	$ --	$ 344,882
Net income	**--**	**21,720**	**--**	**21,720**
Unallocated surplus designated for patronage distributions	**--**	**(7,751)**	**--**	**(7,751)**
Capital stock and participation certificates issued	**573**	**--**	**--**	**573**
Capital stock and participation certificates retired	**(471)**	**--**	**--**	**(471)**
Balance at September 30, 2022	**$ 6,151**	**$ 352,802**	**$ --**	**$ 358,953**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim financial information and conform to generally accepted accounting principles in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the nine months ended September 30, 2022, are not necessarily indicative of the results to be expected for the year ending December 31, 2022. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2021 (2021 Annual Report).

The Consolidated Financial Statements present the consolidated financial results of Farm Credit Services of Western Arkansas, ACA and its subsidiaries Farm Credit Services of Western Arkansas, FLCA and Farm Credit Services of Western Arkansas, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amended the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	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.	We expect to adopt the standard as of January 1, 2023. We have completed development and validation of our model to estimate credit losses for our loan portfolio. The implementation of processes, procedures, internal controls, and policy updates are substantially complete. We are also in the process of drafting disclosures. The extent of the impact on our financial statements will depend on economic conditions, forecasts and the composition of our loan and investment portfolios at the time of adoption.
In March 2022, the FASB issued ASU 2022-02 “Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.” The guidance is effective at the same time that ASU 2016-13 is adopted.	This guidance eliminates the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings.	We intend to adopt the standard concurrently with the adoption of ASU 2016-13 as amended. The adoption of this guidance is not expected to have a material impact on our financial statements, but will modify certain disclosures required under ASU 2016-13.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**September 30, 2022**		December 31, 2021	
	Amount	%	Amount	%
Real estate mortgage	**$ 1,142,269**	**63.8%**	$ 1,118,058	67.4%
Production and intermediate-term	**201,054**	**11.2%**	192,025	11.6%
Agribusiness	**313,971**	**17.5%**	231,486	14.0%
Other	**134,694**	**7.5%**	117,739	7.0%
Total	**$ 1,791,988**	**100.0%**	$ 1,659,308	100.0%

The other category is composed of rural infrastructure, rural residential real estate, and agricultural export finance related loans.

Delinquency

Aging Analysis of Loans

(in thousands) **As of September 30, 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	Total
Real estate mortgage	**$ 3,681**	**$ 72**	**$ 3,753**	**$ 1,146,362**	**$ 1,150,115**
Production and intermediate-term	**1,572**	**2,251**	**3,823**	**200,033**	**203,856**
Agribusiness	**1,413**	**--**	**1,413**	**313,575**	**314,988**
Other	**--**	**121**	**121**	**134,823**	**134,944**
Total	**$ 6,666**	**$ 2,444**	**$ 9,110**	**$ 1,794,793**	**$ 1,803,903**

As of 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	Total
Real estate mortgage	$ 2,883	$ 1,356	$ 4,239	$ 1,120,685	$ 1,124,924
Production and intermediate-term	182	692	874	193,466	194,340
Agribusiness	--	--	--	231,992	231,992
Other	6	--	6	117,852	117,858
Total	$ 3,071	$ 2,048	$ 5,119	$ 1,663,995	$ 1,669,114

Note: Accruing loans include accrued interest receivable.

There were no loans 90 days or more past due and still accruing interest at September 30, 2022, or December 31, 2021.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands) As of:	**September 30, 2022**	December 31, 2021
Volume with specific allowance	**$ 4,774**	$ 824
Volume without specific allowance	**9,550**	7,975
Total risk loans	**$ 14,324**	$ 8,799
Total specific allowance	**$ 1,003**	$ 256
For the nine months ended September 30	**2022**	2021
Income on accrual risk loans	**$ 79**	$ 95
Income on nonaccrual loans	**609**	368
Total income on risk loans	**$ 688**	$ 463
Average risk loans	**$ 9,035**	$ 9,700

Note: Accruing loans include accrued interest receivable.

We had no commitments to lend additional money to borrowers whose loans were classified as risk loans at September 30, 2022.

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to the borrower's financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a TDR, also known as a formally restructured loan for regulatory purposes. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral. There may be modifications made in the normal course of business that would not be considered TDRs.

There were no TDRs that occurred during the nine months ended September 30, 2022, or 2021. In addition, there were no TDRs that defaulted during the nine months ended September 30, 2022, or 2021, in which the modification was within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:		September 30, 2022		December 31, 2021
Accrual status:				
Real estate mortgage	$	779	$	789
Production and intermediate-term		--		412
Agribusiness		1,567		1,713
Total TDRs in accrual status	$	2,346	$	2,914
Nonaccrual status:				
Real estate mortgage	$	238	$	284
Production and intermediate-term		469		475
Agribusiness		--		--
Total TDRs in nonaccrual status	$	707	$	759
Total TDRs:				
Real estate mortgage	$	1,017	$	1,073
Production and intermediate-term		469		887
Agribusiness		1,567		1,713
Total TDRs	$	3,053	$	3,673

There were no commitments to lend to borrowers whose loans have been modified in a TDR at September 30, 2022.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Nine months ended September 30		2022		2021
Balance at beginning of period	$	2,276	$	2,251
Provision for loan losses		1,355		234
Loan recoveries		273		30
Loan charge-offs		(541)		(34)
Balance at end of period	$	3,363	$	2,481

The “Provision for (reversal of) credit losses” in the Consolidated Statements of Comprehensive Income includes a provision for loan losses as presented in the previous chart, as well as a provision for (reversal of) credit losses on unfunded commitments. The accrued credit losses on unfunded commitments are recorded in “Other liabilities” in the Consolidated Statements of Condition. Typically, accrued credit losses are relieved and replaced with an allowance for loan loss as the related commitments are funded.

Credit Loss Information on Unfunded Commitments

(in thousands) For the nine months ended September 30		2022		2021
Provision for (reversal of) credit losses	$	50	$	(9)
As of:		September 30, 2022		December 31, 2021
Accrued credit losses	$	83	$	33

NOTE 3: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

Refer to Note 10 in our 2021 Annual Report for additional detail regarding contingencies and commitments.

NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2021 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at September 30, 2022, or December 31, 2021.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-Recurring Basis

(in thousands)

As of September 30, 2022	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	**$ --**	**$ --**	**$ 3,960**	**$ 3,960**
Other property owned	**--**	**--**	**67**	**67**

As of December 31, 2021	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Impaired loans	$ --	$ --	$ 596	$ 596
Other property owned	--	--	757	757

Valuation Techniques

Impaired Loans: Represents the carrying amount of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. 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. Costs to sell represent transaction costs and are not included as a component of the asset’s fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management’s knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

Other Property Owned: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset’s fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management’s knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 5: SUBSEQUENT EVENTS

We have evaluated subsequent events through November 8, 2022, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.